



MOSSEL BAY Municipality



2016/17 ANNUAL FINANCIAL STATEMENTS



VISION

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

MISSION

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the Municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

VALUES

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.



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GENERAL INFORMATION

Mayoral Committee:

Alderman H J Levendal (Executive Mayor)

Councillor D Kotzé (Deputy Executive Mayor and Chairperson of Corporate Services & Governance Committee)

Councillor J C Bayman (Chairperson of Planning & Integrated Services Committee)

Councillor N Booisen (Chairperson of Community Services Committee)

Councillor M de Klerk (Chairperson of Finance Committee)

Councillor A Dellemijn (Chairperson of Technical Services Committee)

Councillor V Fortuin (Chairperson of Socio & Economic Development and Tourism Committee)

Speaker:

Alderman P Terblanche

Ward Councillors:

1 Clr P Lichaba (ANC)

3 Clr W Fipaza (ANC)

5 Clr A Dellemijn (DA)

7 Clr B Groenewald (DA)

9 Clr E Meyer (DA)

11 Clr M de Klerk (DA)

13 Clr R H Ruiters (DA)

2 Clr N Mbolombo (ANC)

4 Clr A Janse van Rensburg (DA)

6 Clr M Furness (DA)

8 Clr D Kotzé (DA)

10 Ald P Terblanche (DA)

12 Clr W Buda (ANC)

14 Clr J C Bayman (DA)

Proportional Representative Councillors:

Clr E Baron (VF+)

Clr N Booisen (DA)

Clr V Fortuin (DA)

Clr D Kamfer (ICOSA)

Ald H Levendal (DA)

Clr T Mvumvu (DA)

Clr J Siyoko (DA)

Clr N Bobelo (ANC)

Clr J Bruinders (ANC)

Clr J Gouws (ACDP)

Clr M Kannemeyer (DA)

Clr S Mbandezi (ANC)

Clr L Rauch (DA)

Auditors:

The Auditor-General of South Africa
Private Bag X1
CHEMPET, 7442

Accounting Officer:

Adv T Giliomee

Chief Financial Officer (Acting):

Mr LH Fourie

Mr MK Botha was suspended on 25 May 2017 and disciplinary hearing still in progress.

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6506

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REVIEW OF THE YEAR

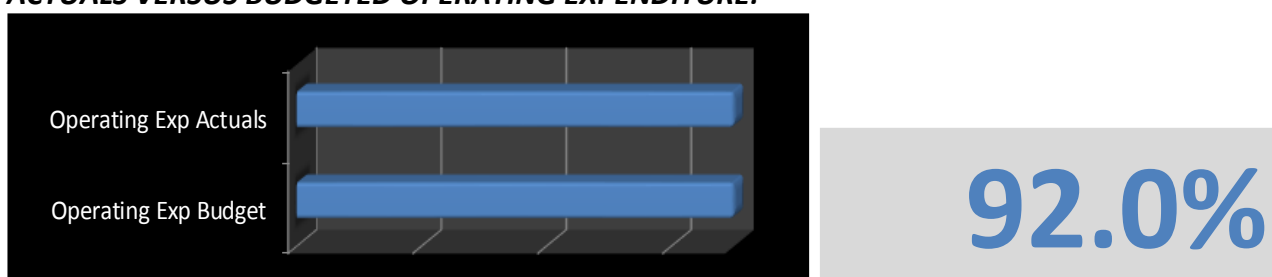
1 FINANCIAL PERFORMANCE

The following ratios highlight the implementation of the budget:

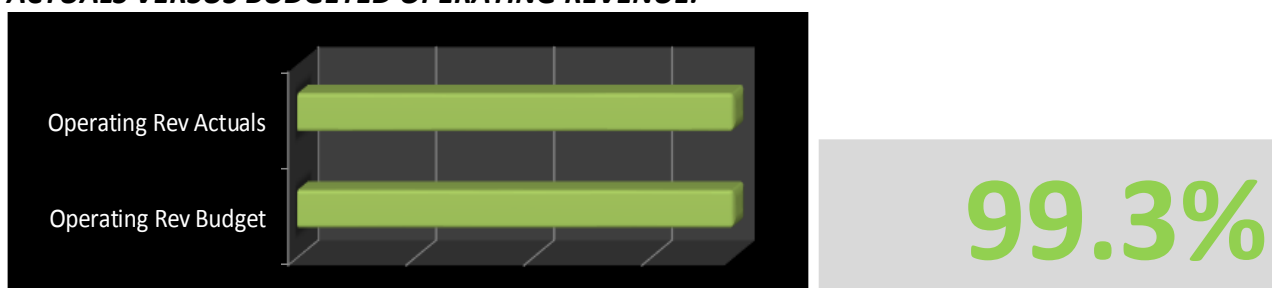
ACTUALS VERSUS BUDGETED CAPITAL:



ACTUALS VERSUS BUDGETED OPERATING EXPENDITURE:



ACTUALS VERSUS BUDGETED OPERATING REVENUE:



2 LIQUIDITY POSITION

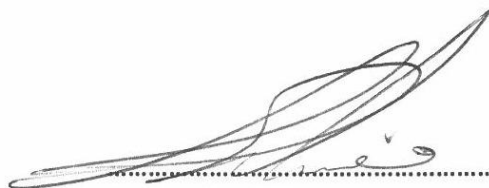


The above ratios show that the Municipality has a healthy liquid position, with current assets of double the current liabilities. This ratio has weakened slightly from the previous year when the ratio was 2.7 :1.

CERTIFICATION BY ACCOUNTING OFFICER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 139 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.


.....

Accounting Officer
Adv T Giliomee

Date: 31 August 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2017 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2016/17 financial performance of the Municipality to the 2015/16 comparative figures:

RATIO DESCRIPTION	2016/17	2015/16
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on Government grants</i>	15.2%	15.6%
<i>Actual income vs Budgeted income*</i>	-0.7%	0.1%
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	29.7%	28.9%
<i>Actual expenditure vs Budgeted expenditure*</i>	-8.0%	-4.1%
<i>Interest paid as a percentage of total expenditure</i>	0.9%	0.8%
<i>Repairs and maintenance / PPE (carrying amount)</i>	2.6%	2.7%
<i>Repairs and maintenance / Total expenditure</i>	6.3%	6.5%
<u>ASSET MANAGEMENT</u>		
<i>Actual versus Budgeted Capital Expenditure*</i>	-5.0%	-8.7%
<i>Stockholding period (DAYS)</i>	15 days	13 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period (DAYS)</i>	69 days	38 days
<i>Arrear debtors collection period (DAYS)</i>	13 days	12 days
<u>LIQUIDITY</u>		
<i>Current ratio</i>	2.5 : 1	2.7 : 1
<i>Acid Test ratio</i>	2.3 : 1	2.5 : 1
<i>Turnover of accounts receivable</i>	8.0 : 1	8.3 : 1
<i>Cash to Interest</i>	58.2 : 1	56.5 : 1
<i>Debt to Cash</i>	1.0 : 1	1.1 : 1
<i>Cash to Income</i>	3.0 : 1	4.1 : 1
<i>Total Liabilities / Total Assets</i>	0.1 : 1	0.1 : 1

*The total variance between budgeted and actual amounts is provided as a percentage variance.

2.1. Borrowing, funding and reserves policy

The borrowing, funding and reserves policy makes the measurement of the following ratios compulsory:

a) Interest paid to total expenditure

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the interest paid to total expenditure may not exceed 5%. Table 4 provide the measurement against the results of 2015/16.

Table 4

Description	2016/17	2015/16
Interest paid to total expenditure	0.9%	0.8%
Total interest paid	7 164 900	6 156 320
Total Operating expenditure	819 236 902	791 429 536

Interpretation of Results

Interest paid to total expenditure is well within the norm of 5%.

b) Total long term debt to total operating revenue

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the total long term debt to total operating revenue (excluding conditional grants and transfers) must not exceed 35%. Table 5 provide the measurement against the results of 2015/16.

Table 5

Description	2016/17	2015/16
Total long term debt to total operating revenue (excluding conditional grants and transfers)	3.9%	3.8%
Total Long-term debt	31 379 999	27 779 918
Total Operating Revenue (exlcuding conditional grants and transfers)	812 881 873	738 850 329

Interpretation of Results

This percentage of long-term debt to operating revenue is well within the approved policy of Council of 35%.

c) Cash generation from operating activities

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the cash generation from operating activities must at least cover the annual loan repayments once. Table 6 provide the measurement against the results of 2015/16.

Table 6

Description	2016/17	2015/16
Coverage of Annual loan repayments by cash generated from operating activities (Times)	82.7	219.0
Cash generated from operating activities	208 526 266	167 343 443
Annual loan repayments	2 521 737	763 955

Interpretation of Results

Mossel Bay Municipality does not have a high reliance on loans. Thus the ratio will always be favourable. The coverage of cash generated from operating activities to the annual loan repayment is well above the norm of 1 time.

d) Percentage of annual loan repayment to total operating expenditure

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the percentage of total annual loan repayment (Capital and Interest) to total operating expenditure must not be more than 10%. Table 7 provide the year to date measurement against the results of 2015/16.

Table 7

Description	2016/17	2015/16
Percentage of annual loan repayment to total operating expenditure	1.2%	0.9%
Annual loan repayments (Interest & capital)	9 686 637	6 920 275
Total Operating expenditure	819 236 902	791 429 536

Interpretation of Results

Mossel Bay Municipality does not have a high reliance on loans and thus the amount relating to repayment of loans are low. Thus the ratio will always be favourable. The percentage of annual loan repayment to total operating expenditure is well within the norm of 10%.

2.2. Liquidity policy

The liquidity policy makes the measurement of the following ratios compulsory:

a) Cash/Cost Coverage Ratio

Purpose/ Use of the Ratio and Norm

The approved policy by Council determines that the Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants) must be calculated as ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets) and that a coverage of 1-3 times is acceptable.

Table 8 provide the measurement based on the last month of 2016/17, measured against the last month of 2015/16.

Table 8

Description	2016/17	2015/16
Cash/Cost Coverage Ratio (Times)	6.2	5.7
Cash and Cash Equivalents	379 379 159	327 252 982
Monthly Fixed Operational Expenditure	60 963 054	57 467 848
Cash and Cash Equivalents:	379 379 159	327 252 982
Petty Cash and Bank Balances	16 196 179	9 004 025
Less:		
Unspent Conditional Grants	(37 963 297)	(20 756 394)
Overdraft	-	-
Plus:		
Short-term investments	401 146 276	339 005 350
Monthly Fixed Operational Expenditure	60 963 054	57 467 848
Total average monthly Expenditure for the year	68 269 742	65 952 461
Less:		
Depreciation & Amortisation	(5 308 395)	(5 440 063)
Provision for Bad Debts	(1 698 745)	(2 335 442)
Impairment and Loss on Disposal of Assets	(299 548)	(709 108)
Fair Value Adjustments	-	-

Interpretation of Results

The cash/cost coverage ratio is above the norm of 1-3 times as per liquidity policy and improved from 2015/16 to 2016/17 mainly because of the increase in "Short-term investments".

b) Current ratio

Purpose/ Use of the Ratio and Norm

The purpose of this ratio is to measure the Municipality's ability to meet its short-term commitments.

The higher the current ratio, the more capable the Municipality will be to pay its current or short-term obligations and provide for a risk cover to enable it to continue operations at desired levels. A financial ratio under 1 suggests that the Municipality would be unable to pay all its current or short-term obligations if they fall due at any specific point.

If current liabilities exceed current assets, it highlights serious financial challenges and likely liquidity problems i.e. insufficient cash to meet short-term financial obligations. Current assets must therefore be increased to appropriately cover current liabilities otherwise there is a risk that non-current assets will need to be liquidated to settle current liabilities.

The approved policy by Council guides that the current ratio be between 1.5:1 and 2:1. Table 9 provides the calculated current year ratio.

Table 9

Description	2016/17	2015/16
Current Ratio	2.5	2.7
Current Assets	529 795 755	448 051 003
Current Liabilities	215 036 038	168 557 841

Interpretation of Results

The Municipality operates above the norm set by Council. The ratio weakened since the end of the previous year.

2.3. Other ratios of importance

a) Debtors collection period in days

Purpose/ Use of the Ratio and Norm

This ratio reflects the collection period. The debtor days refers to the average number of days required for the Municipality to receive payment from its consumers for bills/invoices issued to them for services. The ratio is also a good indication of the effectiveness of credit control procedures within the Municipality. If the ratio is above the norm, it indicates that the Municipality is exposed to significant cash flow risk. This is also an indication that the Municipality is experiencing challenges in the collection of outstanding amounts due to it. In addition, this indicates that a significant amount of potential cash is tied up in consumer debtors and the Municipality must improve its revenue and cash flow management.

The norm is 30 Days

Table 11

Description	2016/17	2015/16
Debtors collection period (days)	12.9	12.0
Consumer debtors*365	8 387 222 153	7 344 161 346
Rates revenue + Services revenue + Debtors income	651 232 874	610 950 322

Interpretation of Results

The Municipality operates within the norm. The ration has weakened measured against the result of the last financial year. The reason for the deterioration in the collection period is due to the council decision to write off all outstanding debt on residential property values less than R65 000 and vacant erven values less than R50 000.

b) Level of reliance on government grants

Purpose/ Use of the Ratio and Norm

The Ratio measures the extent to which the Municipality's Expenditure is funded through Government grants and subsidies.

No norm is proposed at this time by National Treasury. It must be mentioned that National Treasury does promote a healthy balance of funding sources.

Table 12

Description	2016/17	2015/16
Level of reliance on government grants	15.2%	15.6%
Government Grants and subsidies	145 518 902	136 618 205
Total Revenue	958 400 775	875 468 534

Interpretation of Results

The results indicates that the Municipality is not dependent on grant funding to run its normal operations.

c) Implementation of the Capital program

Purpose/ Use of the Ratio and Norm

This ratio measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review. Further, this ratio measures the Municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assesses whether the Municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance above 5% indicates discrepancies in planning and budgeting which should be investigated and corrective measures implemented. Under-spending is also an indicator that the Municipality might be experiencing possible cash flow difficulties to implement projects. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programs and/or projects. Overspending may also indicate inaccurate budgeting or poor financial management control.

The norm range between 0% and 5% variance.

Table 13

Description	2016/17	2015/16
Actual versus Budgeted Capital Expenditure	-5.0%	-8.7%
Actual Capital Expenditure - Budgeted Capital Expenditure	-7 552 985	-13 966 294
Budgeted Capital Expenditure	152 376 474	160 989 562

Interpretation of Results

The Municipality is functioning within the norm. The main reasons for underspending on capital expenditure are due to housing project progress delays due to issues pertaining to electrification of shacks, late transfer of funds from DOHS and unavailability of adequate labor and inclement weather conditions.

d) Implementation: Operational Revenue

Purpose/ Use of the Ratio and Norm

This ratio measures the extent of actual operating revenue (Excl. Capital Grant Revenue) received in relation to budgeted operating revenue during the financial year, under review. A ratio outside the norm indicates either a challenge in capacity to implement, ineffective billing and credit control, weakness in compilation of budgets or issues of financial controls and management of the Municipality.

The norm range between 0% and 5% variance.

Table 14

Description	2016/17	2015/16
Actual revenue VS budgeted revenue	-0.7%	0.1%
Actual Revenue - Budgeted Revenue	-6 603 800	887 179
Budgeted Revenue	965 004 575	874 581 355

Interpretation of Results

The Municipality is functioning within the norm.

e) Implementation: Operational Expenditure

Purpose/ Use of the Ratio and Norm

This ratio measures the extent to which Budgeted Operating Expenditure has been spent during the financial year, under review. The ratio also assesses whether the Municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance outside the norm either indicate a challenge in capacity to implement, issues of financial controls and management and/or poor budgeting.

Under-spending normally is an indicator that the Municipality experiences possible cash flow difficulties or capacity challenges to undertake budgeted/ planned service delivery, and/ or does not prepare accurate and credible budgets. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programs and/or projects. Overspending may also indicate inaccurate budgeting or poor financial management control in respect of budget control.

The norm range between 0% and 5% variance

Table 15

Description	2016/17	2015/16
Actual operating expenditure VS budgeted operating expenditure	-8.0%	-4.1%
Actual Expenditure - Budgeted Expenditure	-71 530 728	-33 877 227
Budgeted Expenditure	890 767 630	825 306 763

Interpretation of Results

The Municipality is functioning outside the norm. The main reason for underspending on the operating expenditure budget are the slow progress on expenditure on top structures.

LIQUIDITY POSITION OF MUNICIPALITY
3.1 Liquidity

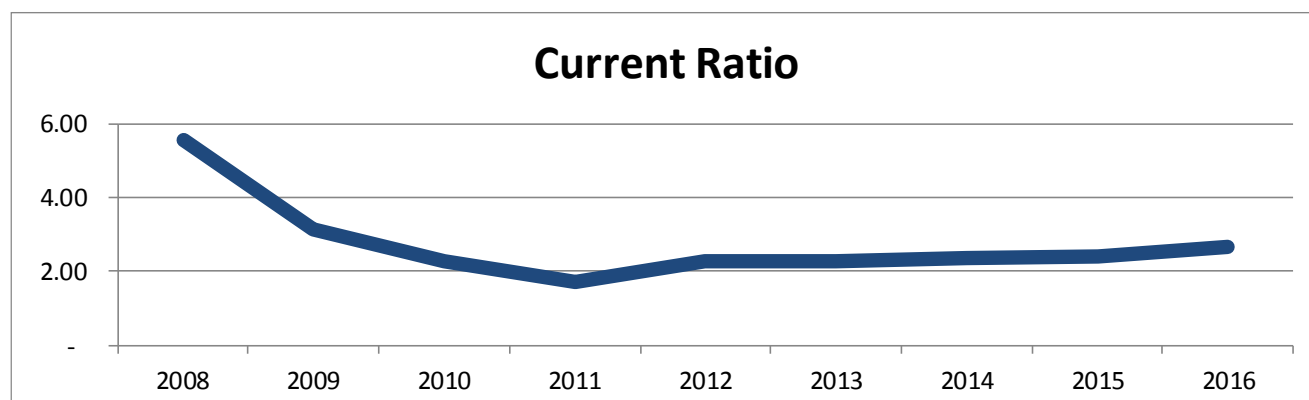
There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality's liquidity position.

The calculation of these ratios is as follows:

RATIO DESCRIPTION	FORMULA	2016/17	2015/16
<u>Current ratio</u>	Current Assets	529 795 755	448 051 003
	Current Liabilities	215 036 038	168 557 841
		2.5	2.7
<u>Acid Test ratio</u>	Current Assets – Inventory	502 520 093	425 958 888
	Current Liabilities	215 036 038	168 557 841
		2.3	2.5
<u>Turnover of accounts receivable</u>	Revenue (credit)	649 597 472	609 743 352
	Accounts receivable	81 682 795	73 860 598
		8.0	8.3
<u>Debt to cash</u>	Total Liabilities	425 968 974	390 537 622
	Cash balance at end of period	417 342 456	348 009 376
		1.0	1.1

The above ratios show that the Municipality is in a liquid position, with current assets of double the current liabilities. The ratio for the year under review has improved slightly compared to the 2015/16 financial year. The Municipality generates 8.0 times more revenue than what the outstanding accounts are. The debtors' collection period (for debtors in arrears) has deteriorated from 12 days in 2015/16 to 13 days in the 2016/17 year.

The following graph shows the history and the current year ratio for the Municipality:



4 OPERATING RESULTS

4.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix B and C, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the Municipality (including non-cash transactions):

DESCRIPTION	Actual 2016/17	Actual 2015/16	Variance	Adjusted Budget 2016/17	Variance
INCOME					
Opening surplus/(deficit)	2 460 776 063	2 372 953 264	3.7%		
Operating income for the year	958 400 775	875 468 534	9.5%	965 004 575	-0.7%
Appropriations for the year	(14 605 526)	3 783 800			
	3 404 571 311	3 252 205 598	4.7%	965 004 575	252.8%
EXPENDITURE					
Operating expenditure for the year	819 236 902	791 429 536	3.5%	890 767 630	-8.0%
Sundry transfers	-	0	-100.0%		
Closing surplus/(deficit)	2 585 334 409	2 460 776 063	5.1%	74 236 945	
	3 404 571 311	3 252 205 598	4.7%	965 004 575	252.8%

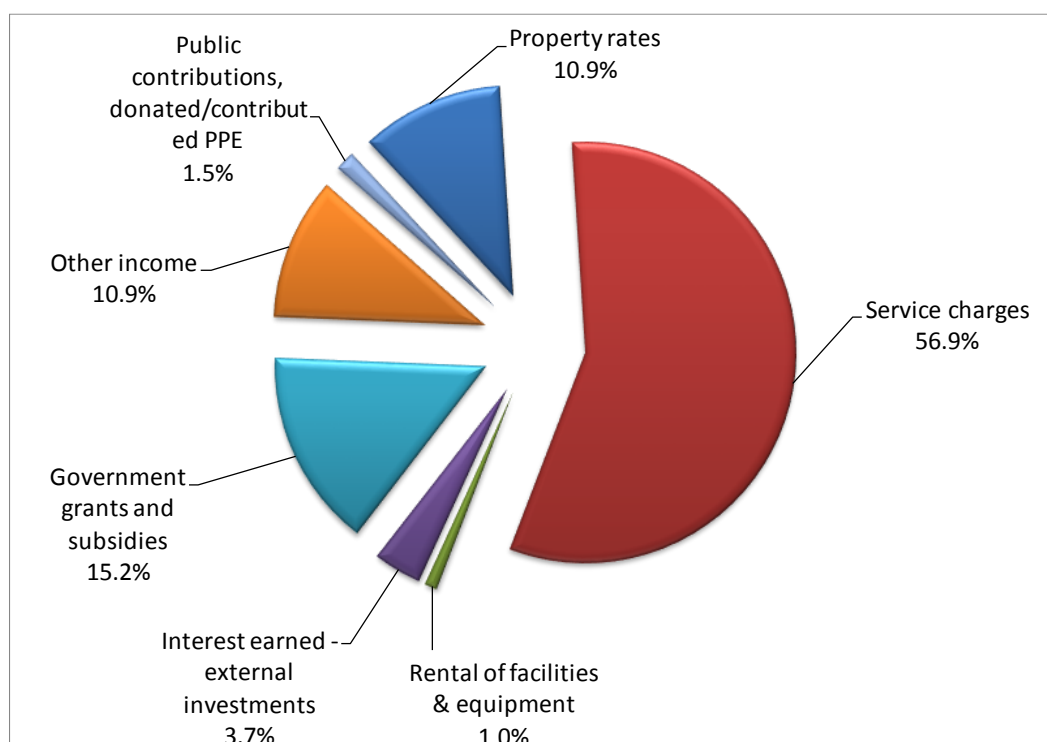
The accumulated surplus at 30 June 2017 amounted to R 2 585.3 million. The accumulated surplus of R 2 384.3 million at 30 June 2016 was restated with previous year corrections of R 76.5 million, amounting to R 2 460.8 million. From the 2015/16 financial year the accumulated surplus increased with R 124.6 million or 4.7% to the 2016/17 financial year.

The operating income increased by 9.5% to R 958.4 million from the previous financial year's income of R 875.5 million. The main contributor to this is the increase in Actuarial Gains and the increases in Service charges. The operating expenditure increased by 3.5% to R 819.2 million. Please note that Impairment costs and Depreciation charges for the month of June must still be processed.

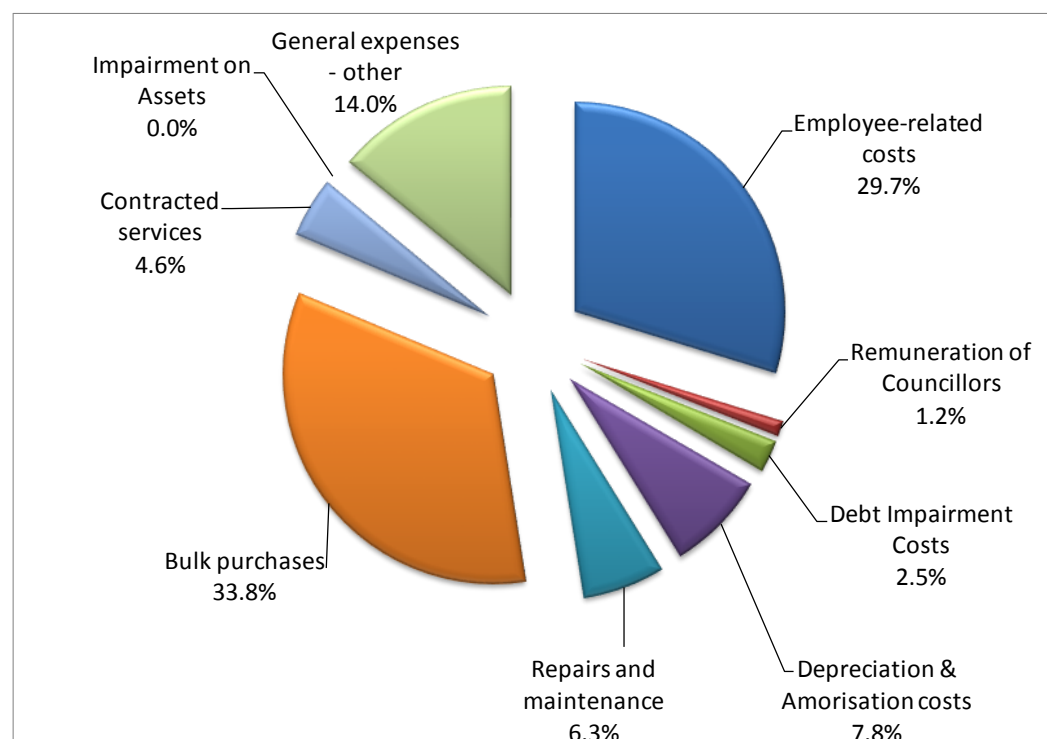
The Municipality's financial statements ended on a surplus of R 139.2 million.

4.2 Operating Revenue and Expenditure

The following graph indicates the Municipality's major revenue sources for the year under review:



The following graph indicates the Municipality's major types of expenditure for the year under review:



4.3 Rates and General Services

DESCRIPTION	Actual 2016/17	Actual 2015/16	Variance	Adjusted Budget 2016/17	Variance
Income	422 757 845	376 476 549	12.3%	430 674 216	-1.8%
Expenditure	432 458 650	419 627 714	3.1%	496 599 539	-12.9%
Surplus/(deficit)	(9 700 806)	(43 151 165)	-77.5%	(65 925 323)	-85.3%
Surplus/(deficit) as % of total income	-2.3%	-11.5%		-15.3%	

Variance from 2015/16 Actual:

The deficit with regards to Rates and other General services amount to R 9.7 million for the 2016/17 financial year and the 2015/16 financial year's deficit was -R 43.2 million.

Variance from 2016/17 Budget:

The total actual income is 1.8% less than the budgeted amount of R 430.7 million for the 2016/17 financial year. The expenditure is 12.9% less than the budgeted amount of R 496.6 million.

4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by NERSA before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

4.4.1 Electricity

DESCRIPTION	Actual 2016/17	Actual 2015/16	Variance	Adjusted Budget 2016/17	Variance
Income	407 036 240	386 468 224	5.3%	412 931 179	-1.4%
Expenditure	317 756 794	298 174 920	6.6%	315 656 686	0.7%
Surplus/(deficit)	89 279 446	88 293 304	1.1%	97 274 493	-8.2%
Surplus/(deficit) as % of total income	21.9%	22.8%		23.6%	

Variance from 2015/16 Actual:

The Electricity service showed a surplus for both the 2015/16 and the 2016/17 financial years, with an increase of 1.1% between the two years. The surplus of R 89.3 million for the 2016/17 financial year represents a profit of 21.9%. A profit of 22.8% was realised in the 2015/16 financial year.

Variance from 2016/17 Budget:

The total actual income is 1.4% less than the budgeted amount of R 412.9 million for the 2016/17 financial year. The expenditure is 0.7% more than the budgeted amount of R 315.7 million.

4.4.2 Water

DESCRIPTION	Actual 2016/17	Actual 2015/16	Variance	Adjusted Budget 2016/17	Variance
Income	128 606 691	112 523 761	14.3%	121 399 180	5.9%
Expenditure	69 021 458	73 626 902	-6.3%	78 511 405	-12.1%
Surplus/(deficit)	59 585 232	38 896 859	53.2%	42 887 775	38.9%
Surplus/(deficit) as % of total income	46.3%	34.6%		35.3%	

Variance from 2015/16 Actual:

The Water service showed a surplus for both the 2015/16 and 2016/17 financial years. The surplus increased by 53.2% from the previous year. The surplus of R 59.6 million for the 2016/17 financial year represents a profit of 46.3%, whereas a profit of 34.6% was realised in the 2015/16 financial year.

Variance from 2016/17 Budget:

The total actual income is 5.9% more than the budgeted amount of R 121.4 million for the 2016/17 financial year, while the expenditure is 12.1% less than the budgeted amount of R 78.5 million.

5 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure for the year as stated in the financial statements amounted to R 144 823 488 and is broken down as follows:

SERVICE AREA	2016/17 Actuals	% of Total Capital Expenditure
Community services/facilities	14 367 519	9.9%
Electricity	30 863 478	21.3%
Housing	5 088 627	3.5%
Refuse	191 526	0.1%
Sanitation	18 892 621	13.0%
Streets and Storm water	35 065 422	24.2%
Water	27 492 981	19.0%
Other	12 861 314	8.9%
TOTAL	<u>144 823 488</u>	<u>100.0%</u>

The capital expenditure was financed as follows:

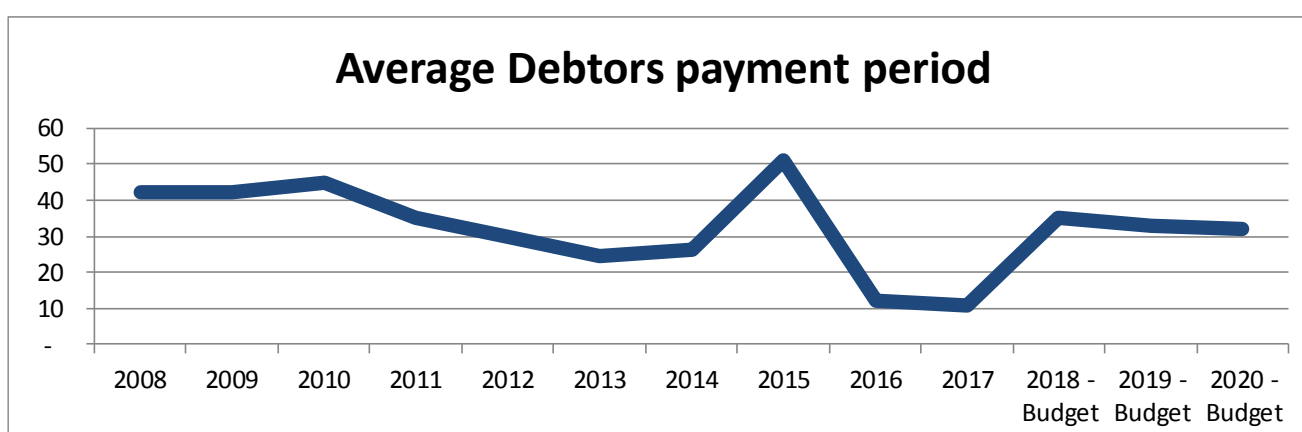
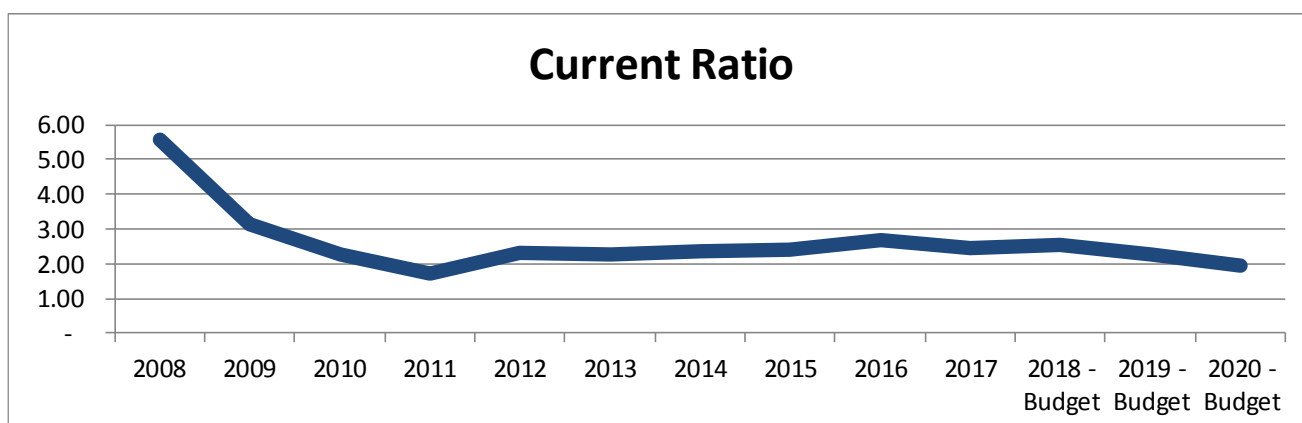
SOURCE OF FINANCE	2016/17 Actuals	% of Total Capital Funding
Capital Replacement Reserve	89 493 587	61.8%
Grants and Subsidies	37 180 883	25.7%
Public contributions	2 362 760	1.6%
External loans	6 503 459	4.5%
Other	9 282 799	6.4%
TOTAL	<u>144 823 488</u>	<u>100.0%</u>

Property, Plant and Equipment is funded to a large extent from the Capital Replacement Reserve.

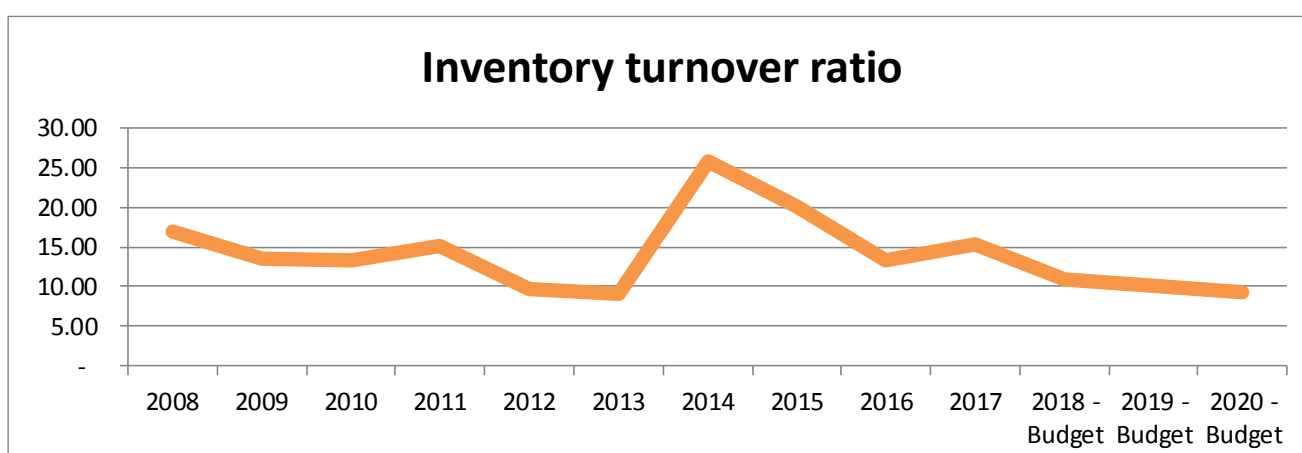
6 FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are a few graphs on various financial ratios that show the past 7 years' information, the current year information and the 3 budget years' information:

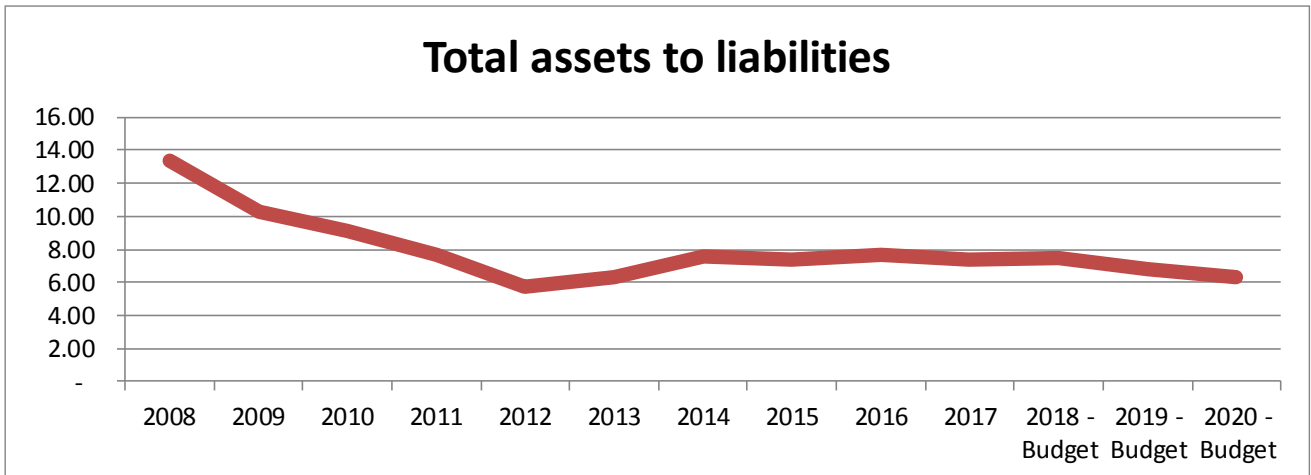
LIQUIDITY MEASUREMENT RATIOS



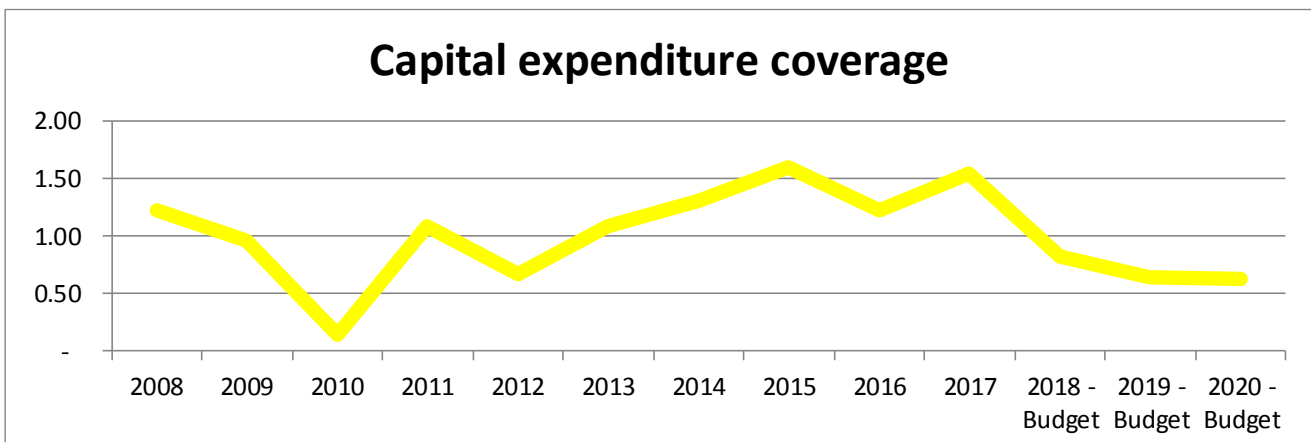
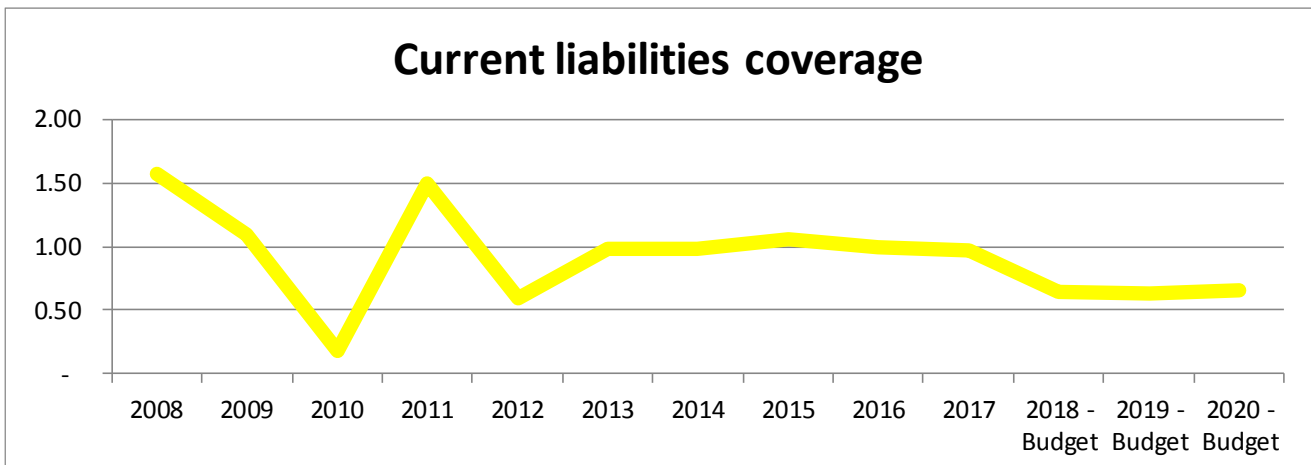
ACTIVITY RATIOS



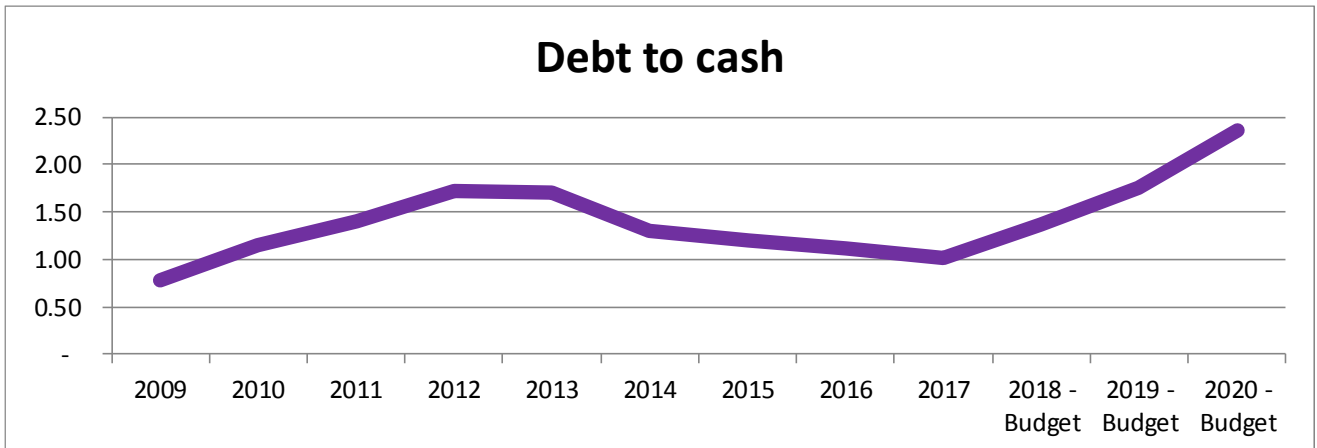
SOLVENCY RATIOS



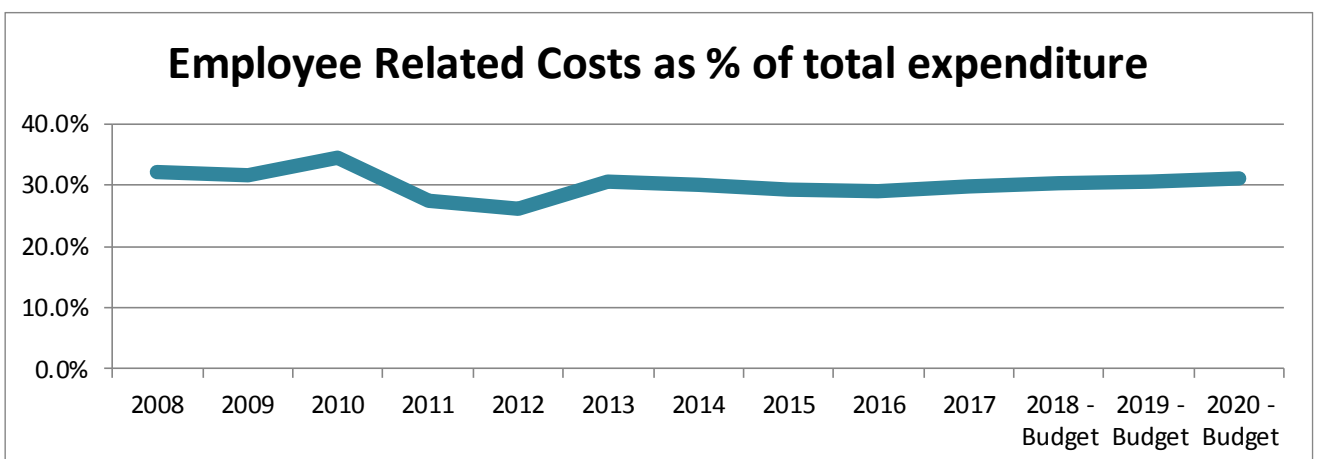
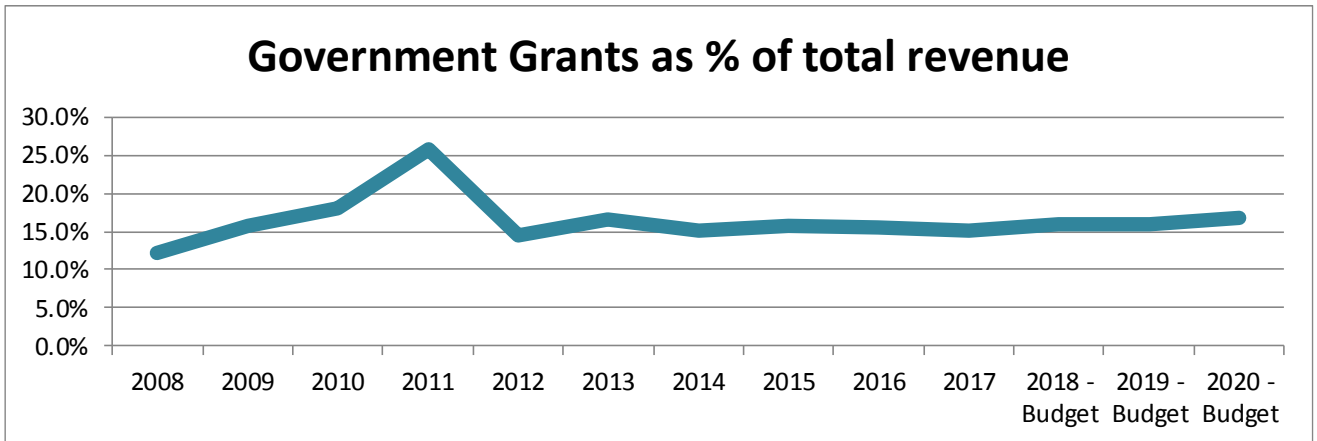
CASH FLOW INDICATOR RATIOS



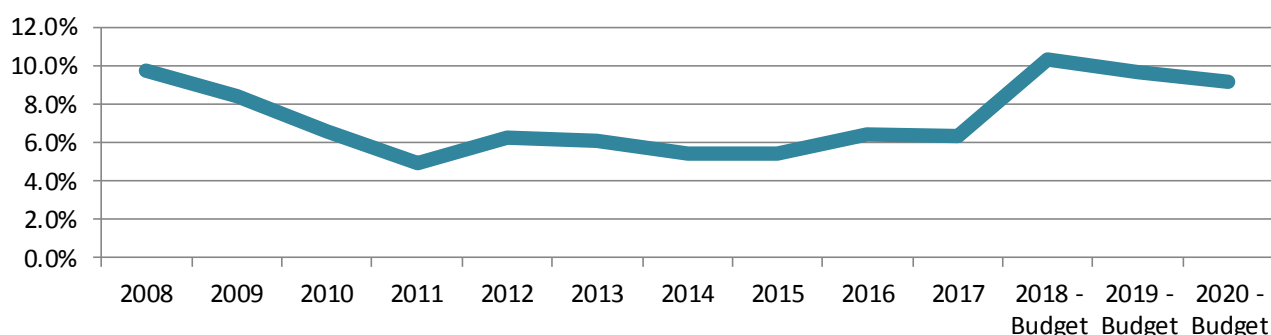
DEBT RATIOS



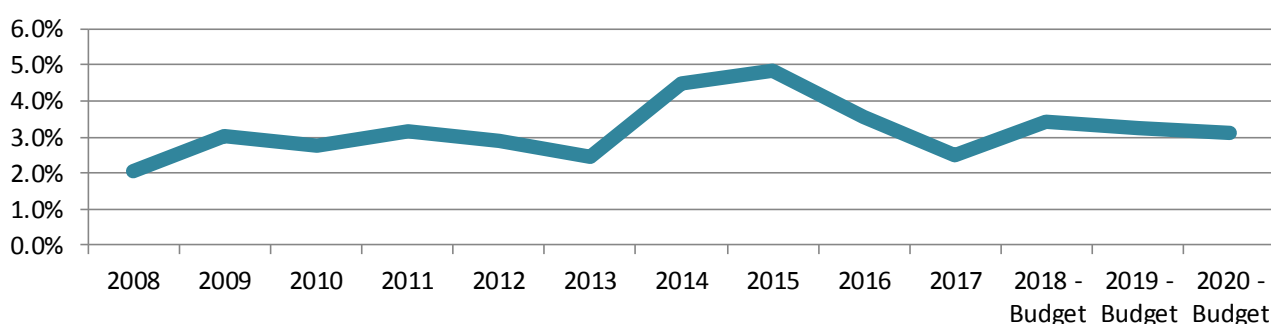
INCOME & EXPENDITURE TRENDS



Repairs & Maintenance as % of total expenditure



Debt Impairment costs as % of total expenditure



7 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2017 amounted to R 141 173 950 (R 126 575 281 as at 30 June 2016).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

8 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2017 the outstanding external loans amounted to R 30 993 649 (R 26 800 000 on 30 June 2016). The Municipality has repaid R 2 521 737 towards the loans taken up to date.

The Municipality's cashbook showed a positive balance of R 16 177 119 (R 8 985 565 on 30 June 2016) and Petty Cash to the amount of R 19 060 (R 18 460 on 30 June 2016) on 30 June 2017. The external investments amounted to R 401 146 276 against the R 339 005 350 of the previous year.

More particulars regarding external loans and investments appear in Notes 5 and 25 of the Annual Financial Statements, as well as Appendix A.

9 NON-CURRENT PROVISIONS

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R 94 196 700 as at 30 June 2017 (R 90 264 481 as at 30 June 2016) and are made up as follows:

Rehabilitation of Landfill Sites	R 70 551 226
Clearing of Alien Vegetation	<u>R 23 645 474</u>
	<u>R 94 196 700</u>

Refer to Note 6 of the Annual Financial Statements for more detail.

10 LIQUIDITY REQUIREMENTS

The table below shows the allocation of the investment portfolio towards the funding of various obligations:

Table 10

Liquidity Requirement as per Liquidity Policy

Financial Year End: **30 June 2017**

	2016/17 R
<i>Liquidity Requirement Calculation [as stipulated in Paragraph 4.1.]</i>	
All earmarked and/or conditional grants received but not yet utilised	R 37 963 297
Value of the provisions held in cash for the clearing of alien vegetation and the rehabilitation of landfill sites to the extent that these funds are required within the following 5 years	R 94 196 700
Value of legally entrenched short term rights and benefits of employees related to Medical benefits & Retirement benefits	R 28 161 219
Unspent Loan Funds	R -
Funds held for agency services not yet performed	R (2 471 148)
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash	R 141 202 367
Capital redemption and interest payments on external loans not reflected as part of normal operational expenditure	R 5 519 595
1 months operational expenditure excluding non-cash items	R 60 963 054
Consumer Deposits	R 23 240 671
Other Deposits and Other Advance Payments:	
- Retentions	R 9 652 329
- Payments Received in Advance	R 26 603 211
- Other Deposits	R 3 700 166
Non-current Deposit: Pavilion	R 274 541
TOTAL LIQUIDITY REQUIREMENT	R 429 006 003

Actual available liquidity held [reference paragraph 4.2.]

Bank Balance at e.g.:	
- ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market	
Bank balance sub total	R 16 196 179
95% of all other term investments with Banks	R 381 088 962
90% of Market value of all Bonds on the JSE that are held	R -
Consumer debtors (current – 60 days)	R 33 478 764
Other reserves held in cash not reflected in bank balances mentioned above for e.g.:	
- Unspent conditional grants	R -
- Payments received for agency functions not yet performed	R -
- The cash value of reserves held	R -
- Cash deposits held as part of loan covenants or ceded	R -
- Undrawn bank overdraft facility or committed liquidity lines available	R -
TOTAL LIQUIDITY AVAILABLE	R 430 763 906

LIQUIDITY SURPLUS (SHORT FALL)	R 1 757 903
---------------------------------------	--------------------

11 EMPLOYEE BENEFITS

These liabilities are in order to enable the Municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The non-current portion of the employee benefits liability amounted to R 88 146 000 as at 30 June 2017 (R 107 095 000 as at 30 June 2016) and is made up as follows:

Post-Employment Health Care Benefits	R 73 038 000
Ex-Gratia Gratuities	R 1 344 000
Long Service Awards	<u>R 13 764 000</u>
	<u><u>R 88 146 000</u></u>

Refer to Note 7 of the Annual Financial Statements for more detail.

12 CURRENT LIABILITIES

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). No indication is found that the Municipality would be unable to meet its obligations. Current Liabilities amounted to R 215 036 038 as at 30 June 2017 (R 168 557 841 as at 30 June 2016) and are made up as follows:

Consumer deposits	Note 9	R 23 240 671
Provisions	Note 10	R 5 684 326
Current portion of Employee benefits	Note 11	R 28 161 219
Payables from Exchange transactions	Note 12	R 115 248 805
Unspent conditional grants and receipts	Note 13	R 37 963 297
Operating Lease Liability	Note 26	R 1 673 415
Current portion of Finance Lease Liabilities	Note 4	R 261 364
Current portion of Long-term Liabilities	Note 5	<u>R 2 802 941</u>
		<u><u>R 215 036 038</u></u>

13 CURRENT ASSETS

Current Assets amounted to R 529 795 755 as at 30 June 2017 (R 448 051 003 as at 30 June 2016) and is made up as follows:

Inventory	Note 21	R 27 275 661
Trade receivables from Exchange	Note 22	R 58 816 373
Other receivables from Non-Exchange	Note 23	R 17 758 861
Current portion of long-term receivables	Note 20	R 336 681
Unpaid conditional grants and receipts	Note 13	R 0
VAT receivable	Note 14	R 8 071 251
Cash and Cash Equivalents	Note 25	R 417 342 456
Operating Lease Assets	Note 26	<u>R 194 471</u>
		<u><u>R 529 795 755</u></u>

14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

DEBTOR	As at 30 June 2016	As at 30 June 2017	Variance
Service debtors:	50 425 236	51 557 853	2.2%
- Electricity	32 689 764	31 960 673	-2.2%
- Water	12 116 977	13 121 027	8.3%
- Refuse	2 389 828	2 806 228	17.4%
- Sewerage	3 228 668	3 669 925	13.7%
Debtback collections	3 062	3 787	23.7%
Land Sales	6 173	2 161	-65.0%
Housing instalments	949 635	740 439	-22.0%
Housing rentals	52 418	29 694	-43.4%
Other	2 737 487	6 482 438	136.8%
TOTAL	54 174 011	58 816 373	8.6%

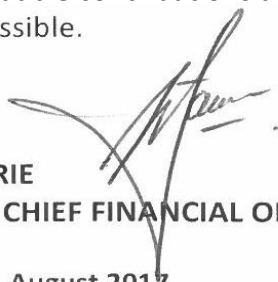
The net balance of Other receivables from Non-Exchange transactions is indicated below:

DEBTOR	As at 30 June 2016	As at 30 June 2017	Variance
Rates	5 478 542	6 308 827	15.16%
Traffic Fines	3 881 077	7 597 830	95.77%
Payments made in advance	2 491 477	2 826 572	13.45%
Other	3 263 416	2 932 116	-10.15%
TOTAL	15 114 512	17 758 861	17.50%

The Municipality has written off bad debts to the amount of R 2 521 698 during the financial year.

EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information, and specific the staff of the Budget and Treasury Office. Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



LH FOURIE
ACTING CHIEF FINANCIAL OFFICER

Date: 31 August 2017

REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

To be provided when the Audit has been finalised for the financial year under review.

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	2017 R	2016 R
NET ASSETS AND LIABILITIES			
Net assets		2 726 536 776	2 587 372 904
Housing development fund	2	28 417	21 560
Reserves	3	141 173 950	126 575 281
Capital replacement reserve		141 173 950	126 575 281
Accumulated surplus		2 585 334 409	2 460 776 063
Non-current liabilities		210 932 936	221 979 781
Employee benefits	7	88 146 000	107 095 000
Non-current provisions	6	94 196 700	90 264 481
Finance Lease liability	4	18 876	192 483
Other Long-term liabilities	5	28 296 818	24 165 725
Non-current deposits	8	274 541	262 092
Current liabilities		215 036 038	168 557 841
Consumer deposits	9	23 240 671	20 844 433
Provisions	10	5 684 326	1 000 000
Current Employee benefits	11	28 161 219	24 533 140
Payables from Exchange transactions	12	115 248 805	96 656 677
Unspent conditional grants and receipts	13	37 963 297	20 756 394
Operating Lease Liability	26	1 673 415	1 345 487
Current portion of Finance lease liability	4	261 364	453 947
Current portion of other long-term liabilities	5	2 802 941	2 967 763
Total Net Assets and Liabilities		3 152 505 750	2 977 910 526
ASSETS			
Non-current assets		2 622 709 995	2 529 859 523
Property, plant and equipment	15	1 967 170 332	1 885 398 696
Biological Assets	16	-	-
Intangible Assets	17	559 837	651 525
Investment Property	18	625 940 509	627 276 210
Heritage assets	19	4 225 599	4 225 599
Long-term receivables	20	813 719	307 493
Investments	24	24 000 000	12 000 000
Current assets		529 795 755	448 051 003
Inventory	21	27 275 661	22 092 115
Receivables from Exchange transactions	22	58 816 373	54 174 011
Other receivables from non-exchange transactions	23	17 758 861	15 114 512
Current portion of long-term receivables	20	336 681	360 849
Unpaid conditional grants and receipts	13	0	2 515 000
VAT Receivable	14	8 071 251	5 603 034
Cash and Cash equivalents	25	417 342 456	348 009 376
Operating Lease Assets	26	194 471	182 106
Total Assets		3 152 505 750	2 977 910 526

Note: Refer to Note 42.9 for details regarding the restatement of previous year balances.

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Budget			Actual	
2016 R	2017 R	Note	2017 R	2016 R
REVENUE				
298 852 547	336 466 344		315 600 929	269 622 818
94 461 971	103 857 512		104 137 439	94 636 383
94 461 971	103 857 512		104 137 439	94 636 383
177 934 592	196 411 209		160 097 708	147 525 145
175 355 704	192 214 259		145 518 902	136 618 205
2 578 888	4 196 950		14 578 806	10 906 940
26 455 984	36 197 623		51 365 782	27 461 291
25 955 984	35 697 623		26 098 293	26 633 967
500 000	500 000		25 267 490	827 323
575 728 808	628 538 231		642 799 846	605 845 716
478 760	541 300		513 569	365 338
494 285 192	542 925 035		544 946 464	514 741 631
7 800 320	8 904 179		9 132 168	8 537 009
22 017 354	32 886 504		35 094 411	28 187 131
1 240 457	1 533 192		1 635 402	1 333 916
5 735 635	5 671 435		6 579 280	6 125 410
12 665	-		1 738 335	827 526
500 000	-		-	-
43 658 425	36 076 586		43 160 218	45 727 754
874 581 355	965 004 575		958 400 775	875 468 534
EXPENDITURE				
232 853 139	248 002 308	32	243 654 622	228 749 097
9 952 980	10 301 035	33	9 786 303	9 713 125
30 377 645	38 969 887	34	20 384 942	28 025 300
6 033 346	6 188 039		5 718 148	5 415 344
69 384 704	70 255 986	35	63 609 055	65 209 183
8 038	6 454	35	91 688	71 576
1 500 000	1 500 000		-	3 716 946
55 506 710	56 375 130	41	51 712 154	51 050 444
2 625 720	3 152 634	36	7 164 900	6 156 320
255 600 000	270 889 805	37	276 942 760	253 667 481
40 805 362	41 138 335	38	38 051 154	38 445 644
1 246 499	1 322 000	39	1 142 798	1 164 351
97 031 027	141 590 713	40	97 383 807	91 535 428
20 881 593	1 075 304		3 594 573	8 509 295
1 500 000	-		-	-
825 306 763	890 767 630		819 236 902	791 429 536
49 274 592	74 236 945		139 163 872	84 038 998
SURPLUS/(DEFICIT) FOR THE YEAR				

Note: Refer to Note 42.10 for details regarding the restatement of previous year balances.

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
2016				
Balance at 1 July 2015	750 539	129 630 102	2 372 953 264	2 503 333 905
Prior Year Adjustments (Note 42)			-0	-0
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
Restated Balance at 1 July 2015	750 539	129 630 102	2 372 953 264	2 503 333 905
Surplus/(deficit) for the year			84 038 998	84 038 998
Transfer to CRR		78 186 735	-78 186 735	-
Contribution from CRR - purchase PPE		-81 241 556	81 241 556	-
Transfer to Housing Development Fund	13 583		-13 583	-
Transfer from Housing Development Fund	-742 562		742 562	-
Balance at 30 June 2016	21 560	126 575 281	2 460 776 063	2 587 372 904
2017				
Previous Year Adjustments (Note 42)			-	-
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
Restated balance at beginning of the year	21 560	126 575 281	2 460 776 063	2 587 372 904
Surplus/(deficit) for the year			139 163 872	139 163 872
Transfer to CRR		106 141 119	-106 141 119	-
Contribution from CRR - purchase PPE		-91 542 450	91 542 450	-
Transfer to Housing Development Fund	6 857		-6 857	-
Balance at 30 JUNE 2017	28 417	141 173 950	2 585 334 409	2 726 536 776

Note: Previous year adjustments (Note 42) are reflected in the surplus of the 2015/16 financial year. Prior year adjustments are reflected in the statement above.

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 R	2016 R
CASH FLOW FROM OPERATING ACTIVITIES			
<u>Receipts:</u>		877 673 416	800 385 114
Ratepayers		623 478 366	590 594 362
Government - Operating		120 624 814	83 893 996
Government - Capital		45 030 472	37 584 142
Other		88 539 765	88 312 614
<u>Payments:</u>		701 069 269	659 314 506
Suppliers		390 265 411	363 486 184
Employees		237 368 707	223 211 002
Other		73 435 152	72 617 320
Cash generated from/(utilised in) operations	47	176 604 147	141 070 608
Interest received		34 816 538	28 874 461
Interest paid	36	(2 894 419)	(2 601 625)
Net cash from operating activities		208 526 266	167 343 443
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Capital Assets		(135 526 792)	(136 773 312)
Proceeds on de-recognition of Capital Assets		1 890 536	6 466 005
(Increase)/decrease in long-term receivables	20	434 759	415 416
(Increase)/decrease in Non-current Investments	24	(12 000 000)	(12 000 000)
Net cash from investing activities		(145 201 497)	(141 891 891)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	9	2 396 238	1 389 430
Proceeds/(repayment) of finance lease liability	4	(366 190)	(763 955)
Proceeds/(repayment) of other long-term liabilities	5	3 978 263	2 680 307
Net cash from financing activities		6 008 311	3 305 782
Net increase / (decrease) in cash and cash equivalents		69 333 080	28 757 334
Cash and cash equivalents at the beginning of the year		348 009 376	319 252 041
Cash and cash equivalents at the end of the year	25	417 342 456	348 009 376

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The classification basis on which the annual budget and the annual financial statements were compiled is different. The annual financial statements are classified in terms of GRAP, while the annual budget is classified in terms of National Treasury guidelines. Both are compiled using the accrual basis and the reporting period is the same.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	Note	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances
NET ASSETS AND LIABILITIES					
Net assets		2 726 536 776	2 585 145 673	141 391 103	
Housing development fund	2	28 417	-	28 417	
Reserves	3	141 173 950	112 255 403	28 918 548	
Capital replacement reserve		141 173 950	112 255 403	28 918 548	An additional contribution was made as a result of an increased performance in cash generated due higher than expected than estimated collection rates.
Accumulated surplus		2 585 334 409	2 472 890 270	112 444 139	Prior year adjustments had an effect on the actual amount realised. See notes 41 and 42 for more details.
Non-current liabilities		210 932 936	234 346 010	(23 413 074)	
Employee benefits	7	88 146 000	116 508 110	(28 362 110)	No budget provision were made for any actuarial losses as this was not foreseen and/or provided for by the Actuaries.
Non-current provisions	6	94 196 700	89 664 481	4 532 219	New legislation caused an unforeseen increase in the required provision for clearing of alien vegetation.
Finance Lease liability	4	18 876	385 457	(366 580)	
Other Long-term liabilities	5	28 296 818	27 461 962	834 856	
Non-current deposits	8	274 541	326 000	(51 459)	
Current liabilities		215 036 038	155 996 619	59 039 419	
Consumer deposits	9	23 240 671	21 753 405	1 487 266	Consumer deposits were adjusted only with inflation, growth in number of deposits were more than expected.
Provisions	10	5 684 326	4 872 390	811 935	The cash flow for the rehabilitation of landfill sites was not available during preparation budget
Current Employee benefits	11	28 161 219	22 500 000	5 661 219	Actuals as per Actuarial reports.
Payables from Exchange transactions	12	115 248 805	102 430 796	12 818 010	The increase is as a result slow capital expenditure in year resulting in a higher as expected payable figure at year end.
Unspent conditional grants and receipts	13	37 963 297	-	37 963 297	No provision were made for unspent grants, due to the commitment from management to strive to 100% grant expenditure. Housing projects are the biggest contributor.
VAT Payable	14	-	-	-	
Cash and cash equivalents	25	-	-	-	
Operating Lease Liability	26	1 673 415	1 400 000	273 415	
Current portion of Finance lease liability	4	261 364	280 000	(18 636)	
Current portion of other long-term liabilities	5	2 802 941	2 760 028	42 914	
Total Net Assets and Liabilities		3 152 505 750	2 975 488 302	177 017 448	
		-	1		

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	Note	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances
ASSETS					
Non-current assets		2 622 709 995	2 544 753 774	77 956 221	
Property, plant and equipment	15	1 967 170 332	1 912 842 466	54 327 865	The prior year adjustments, which were unforeseen with compilation of the budget, is the cause of the variance.
Biological Assets	16	-	-	-	
Intangible Assets	17	559 837	618 703	(58 866)	
Investment Property	18	625 940 509	602 829 513	23 110 996	The prior year adjustments, which were unforeseen with compilation of the budget, is the cause of the variance.
Heritage Assets	19	4 225 599	4 225 599	-	
Long-term receivables	20	813 719	237 493	576 226	
Investments	24	24 000 000	24 000 000	-	
Current assets		529 795 755	430 734 527	99 061 228	
Inventory	21	27 275 661	21 410 953	5 864 708	More than expected housing top structures were classified as inventory due to the fact that the houses were not handed over to the beneficiaries.
Receivables from Exchange transactions	22	58 816 373	59 357 414	(541 041)	Lower than expected due to improved collection rate
Other receivables from non-exchange transactions	23	17 758 861	16 197 288	1 561 573	Weaker collection rate of traffic fines than expected.
Current portion of long-term receivables	20	336 681	330 849	5 831	
Unpaid conditional grants and receipts		0	-	0	
VAT Receivable	14	8 071 251	7 200 000	871 251	
Cash and Cash equivalents	25	417 342 456	326 038 022	91 304 434	Improved collection rates and under expenditure on both capital and operational expenditure caused more funding to be available than expected.
Operating Lease Assets	26	194 471	200 000	(5 529)	
Total Assets		3 152 505 750	2 975 488 301	177 017 449	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

COMPARISON OF APPROVED AND FINAL BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	Explanations for material adjustments
NET ASSETS AND LIABILITIES				
Net assets	2 585 145 673	-	2 585 145 673	
Housing development fund	-	-	-	No adjustments were made to the Council Approved Statement of Financial Position.
Reserves	112 255 403	-	112 255 403	
Capital replacement reserve	112 255 403	-	112 255 403	
Accumulated surplus	2 472 890 270	-	2 472 890 270	
Non-current liabilities	234 346 010	-	234 346 010	
Employee benefits	116 508 110	-	116 508 110	
Non-current provisions	89 664 481	-	89 664 481	
Finance Lease liability	385 457	-	385 457	
Other Long-term liabilities	27 461 962	-	27 461 962	
Non-current deposits	326 000.00	-	326 000.00	
Current liabilities	155 996 619	-	155 996 619	
Consumer deposits	21 753 405	-	21 753 405	
Provisions	4 872 390	-	4 872 390	
Current Employee benefits	22 500 000.00	-	22 500 000.00	
Payables from Exchange transactions	102 430 796	-	102 430 796	
Unspent conditional grants and receipts	-	-	-	
VAT Payable	-	-	-	
Cash and cash equivalents	-	-	-	
Operating Lease Liability	1 400 000.00	-	1 400 000.00	
Current portion of Finance lease liability	280 000.00	-	280 000.00	
Current portion of other long-term liabilities	2 760 028	-	2 760 028	
Total Net Assets and Liabilities	2 975 488 302	-	2 975 488 302	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	Explanations for material variances
ASSETS				
Non-current assets	2 544 753 774	-	2544 753 774	
Property, plant and equipment	1 912 842 466	-	1912 842 466	No adjustments were made to the Council Approved Statement of Financial Position.
Biological Assets	-	-	-	
Intangible Assets	618 703	-	618 703	
Investment Property	602 829 513	-	602 829 513	
Heritage assets	4 225 599	-	4 225 599	
Long-term receivables	237 493	-	237 493	
Investments	24 000 000	-	24 000 000	
Current assets	430 734 527	-	430 734 527	
Inventory	21 410 953	-	21 410 953	
Receivables from Exchange transactions	59 357 414	-	59 357 414	
Other receivables from non-exchange transactions	16 197 288	-	16 197 288	
Current portion of long-term receivables	330 849	-	330 849	
Unpaid conditional grants and receipts	-	-	-	
VAT Receivable	7 200 000	-	7 200 000	
Cash and Cash equivalents	326 038 022	-	326 038 022	
Operating Lease Assets	200 000	-	200 000	
Total Assets	2 975 488 301	-	2975 488 301	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	Notes	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances
REVENUE					
<u>Revenue from Non-exchange Transactions</u>		315 600 929	336 466 344	(20 865 415)	
<u>Taxation revenue</u>		104 137 439	103 857 512	279 927	
Property rates	27	104 137 439	103 857 512	279 927	
<u>Transfer revenue</u>		160 097 708	196 411 209	(36 313 501)	
Government grants and subsidies	29	145 518 902	192 214 259	(46 695 357)	Underspending of mainly Housing grant funds. These funds are requested to be rolled-over to the next financial year.
Public contributions, donated and contributed PPE	31	14 578 806	4 196 950	10 381 856	Donated assets such as the Siyanithanda building and ICT Computer equipment was not provided for in the budget.
<u>Other non-exchange revenue</u>		51 365 782	36 197 623	15 168 159	
Fines		26 098 293	35 697 623	(9 599 331)	The service provider's contract expired 31 March 2017, no stand alone camera fines were issued thereafter.
Actuarial gains		25 267 490	500 000	24 767 490	Actuarial gains in employee benefits were available with budget compilation, therefore the small provision.
<u>Revenue from Exchange Transactions</u>		642 799 846	628 538 231	14 261 615	
Property rates-penalties imposed & collection charges		513 569	541 300	(27 731)	
Service charges	28	544 946 464	542 925 035	2 021 429	The major contributing factor is an under estimated water consumption.
Rental of facilities and equipment		9 132 168	8 904 179	227 989	
Interest earned - external investments		35 094 411	32 886 504	2 207 907	Better cash flow due to savings on expenditure and improved collection rate led to better investment opportunities, which in turn led to an increase in interest earned
Interest earned - unamortised discount		-	-	-	
Interest earned - outstanding debtors		1 635 402	1 533 192	102 210	
Licences and permits		6 579 280	5 671 435	907 845	
Gain on de-recognition of Assets		1 738 335	-	1 738 335	More disposals than anticipated with budget process were realised during the year, especially on the sale of land.
Impairment / Fair Value adjustment of Investment Property and Biological assets		-	-	-	
Other income	30	43 160 218	36 076 586	7 083 632	The main contributors are additional revenue from external services contributions (R 5.5 m); Building plan fees (R1.2 m) and sale of land held for resale (R1.2 m).
Total Revenue		958 400 775	965 004 575	(6 603 800)	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	Notes	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances
EXPENDITURE					
Employee related costs	32	243 654 622	248 002 308	(4 347 686)	The main contributors is lesser contributions on Social employee benefits, leave provision and to a lesser extend the vacant positions.
Remuneration of Councillors	33	9 786 303	10 301 035	(514 732)	
Debt Impairment Costs	34	20 384 942	38 969 887	(18 584 945)	Mostly as a result less traffic fines issued and an improved collection rate on service charges.
Collection costs		5 718 148	6 188 039	(469 891)	
Depreciation	35	63 609 055	70 255 986	(6 646 931)	Budgeted for all under construction assets to be finalised, which did not materialise.
Amortisation - Intangible Assets		91 688	6 454	85 234	
Actuarial losses		-	1 500 000	(1 500 000)	No actuarial losses on employee benefits were recognised.
Repairs and maintenance		51 712 154	56 375 130	(4 662 976)	The biggest contributors for the underspending are streets with R 1.7 m, whilst the rest is made up by various other types for example vehicles, electrical infrastructure etc.
Finance costs	36	7 164 900	3 152 634	4 012 266	No provision were made for the unwinding of interest the provision for landfill sites to the value of R4.2m.
Bulk purchases	37	276 942 760	270 889 805	6 052 955	Increased on expenditure due to conservative estimates on consumption for both water and electricity.
Contracted services	38	38 051 154	41 138 335	(3 087 181)	The savings are mainly due to security services, refuse and Internal audit cost.
Grants and subsidies paid	39	1 142 798	1 322 000	(179 202)	
General expenses	40	97 383 807	141 590 713	(44 206 906)	This variance is mainly due to the underspending on housing top structures derecognised as agency services. Other general expense items which was underspent due to savings are bank charges, consultant fees and external audit fees
Impairment on Assets		-	-	-	
Loss on de-recognition of Assets		3 594 573	1 075 304	2 519 269	This was caused by the land held resale (middle income project)
Impairment / Fair Value adjustment of Investment Property and Biological assets		-	-	-	
Total Expenditure		819 236 902	890 767 630	(71 530 728)	
SURPLUS/(DEFICIT) FOR THE YEAR		139 163 872	74 236 945	64 926 927	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

COMPARISON OF APPROVED AND FINAL BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	Reasons for material adjustments
REVENUE				
<u>Revenue from Non-exchange Transactions</u>	336 466 344	0	336 466 344	
<u>Taxation revenue</u>	103 857 512	0	103 857 512	No adjustments were made to the Council Approved budget for Revenue.
Property rates	103 857 512	0	103 857 512	
<u>Transfer revenue</u>	196 411 209	(0)	196 411 209	
Government grants and subsidies	192 214 259	(0)	192 214 259	
Public contributions, donated and contributed PPE	4 196 950	-	4 196 950	
<u>Other non-exchange revenue</u>	36 197 623	-	36 197 623	
Fines	35 697 623	-	35 697 623	
Actuarial gains	500 000	-	500 000	
<u>Revenue from Exchange Transactions</u>	628 542 233	(1)	628 538 231	
Property rates-penalties imposed & collection charges	541 300	-	541 300	
Service charges	542 925 035	(0)	542 925 035	
Rental of facilities and equipment	8 904 179	0	8 904 179	
Interest earned - external investments	32 886 504	0	32 886 504	
Interest earned - outstanding debtors	1 533 192	0	1 533 192	
Licences and permits	5 671 436	(1)	5 671 435	
Gain on de-recognition of Assets	-	-	-	
Impairment / Fair Value adjustment of Investment Property and Biological assets	-	-	-	
Other income	36 080 588	(1)	36 076 586	
Total Revenue	965 008 576	(0)	965 004 575	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	Explanations for material variances
EXPENDITURE				
Employee related costs	247 923 015	79 293	248 002 308	All adjustments made to the Expenditure budget were due to virements approved by Council between expenditure accounts. These adjustments has a zero nett effect on the total budget Approved by Council.
Remuneration of Councillors	10 301 035	-	10 301 035	
Debt Impairment Costs	38 969 886	1	38 969 887	
Collection costs	6 341 039	(153 000)	6 188 039	
Depreciation	70 255 986	-	70 255 986	
Amortisation - Intangible Assets	6 454	-	6 454	
Actuarial losses	1 500 000	-	1 500 000	
Repairs and maintenance	57 965 296	(1 590 166)	56 375 130	
Finance costs	3 152 634	-	3 152 634	
Bulk purchases	270 889 805	(0)	270 889 805	
Contracted services	40 787 900	350 435	41 138 335	
Grants and subsidies paid	1 322 000	-	1 322 000	
General expenses	140 281 279	1 313 438	141 590 713	
Loss on de-recognition of Assets	1 075 304	(0)	1 075 304	
Impairment / Fair Value adjustment of Investment Property and Biological assets	-	-	-	
Total Expenditure	890 771 634	(0)	890 767 630	
SURPLUS/(DEFICIT) FOR THE YEAR	74 236 942	(0)	74 236 945	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	Notes	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES					
<u>Receipts:</u>		877 673 416	871 064 315	6 609 101	
Ratepayers		623 478 366	635 952 587	(12 474 221)	The major contributing factors are conservative budgeting for the collection of Service charges charges.
Government - Operating		120 624 814	135 064 718	(14 439 904)	Due to underspending of Housing grant
Government - Capital		45 030 472	35 682 480	9 347 991	Due to underspending of Housing grant
Other		88 539 765	64 364 530	24 175 235	External services contributions land held for resale and building plan fees exceeded the budget.
<u>Payments:</u>		701 069 269	756 222 019	(55 152 749)	
Suppliers		390 265 411	438 104 019	(47 838 608)	Underspending of the Housing emergency kits budget and underspending of Cleaning of Sewerage infrastructure assets and savings on water bulk purchases due to water availability
Employees		237 368 707	243 796 000	(6 427 293)	The main contributors is lesser contributions on social employee benefits, leave provision and to a lessor extend the vacant positions.
Other		73 435 152	74 322 000	(886 848)	
Cash generated from/(utilised in) operations	46	176 604 147	114 842 297	61 761 850	
Interest received		34 816 538	34 419 695	396 843	
Interest paid	36	(2 894 419)	(3 144 771)	250 352	
Net cash from operating activities		208 526 266	146 117 221	62 409 045	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	Notes	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Capital Assets		(135 526 792)	(152 376 500)	16 849 708	Mainly due to the underspending of the Housing infrastructure projects.
Proceeds on de-recognition of Capital Assets	20	1 890 536	900 000	990 536	
(Increase)/decrease in long-term receivables		434 759	100 000	334 759	
(Increase)/decrease in Non-current Investments	24	(12 000 000)	(12 000 000)	-	The long term investment was budgeted under Cash and Cash equivalents.
Net cash from investing activities		(145 201 497)	(163 376 500)	18 175 003	
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in consumer deposits	9	2 396 238	908 972	1 487 266	Consumer deposits were adjusted only with inflation, growth in number of deposits were more than expected.
Proceeds/(repayment) of finance lease liability	4	(366 190)	(300 000)	(66 190)	
Proceeds/(repayment) of other long-term liabilities	5	3 978 263	3 378 290	599 973	
Net cash from financing activities		6 008 311	3 987 263	2 021 049	
Net increase / (decrease) in cash and cash equivalents		69 333 080	(13 272 017)	82 605 097	
Cash and cash equivalents at the beginning of the year		348 009 376	339 310 039	8 699 337	
Cash and cash equivalents at the end of the year	25	417 342 456	326 038 022	91 304 434	Reasons provided above

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

COMPARISON OF APPROVED AND FINAL BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
<u>Receipts:</u>	871 064 315	-	871 064 315	
Ratepayers	635 952 587	-	635 952 587	No adjustments were made to the Council Approved Cash flow Statement.
Government - Operating	135 064 718	-	135 064 718	
Government - Capital	35 682 480	-	35 682 480	
Other	64 364 530	-	64 364 530	
<u>Payments:</u>	756 222 019	-	756 222 019	
Suppliers	438 104 019	-	438 104 019	
Employees	243 796 000	-	243 796 000	
Other	74 322 000	-	74 322 000	
Cash generated from/(utilised in) operations	114 842 297	-	114 842 297	
Interest received	34 419 695	-	34 419 695	
Interest paid	(3 144 771)	-	(3 144 771)	
Net cash from operating activities	146 117 221	-	146 117 221	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	Reasons for material adjustments
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Capital Assets	(152 376 500)	-	(152 376 500)	No adjustments were made to the Council Approved Cash flow Statement.
Proceeds on de-recognition of Capital Assets	900 000	-	900 000	
(Increase)/decrease in long-term receivables	100 000	-	100 000	
(Increase)/decrease in Non-current Investments	(12 000 000)	-	(12 000 000)	
Net cash from investing activities	(163 376 500)	-	(163 376 500)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in consumer deposits	908 972	-	908 972	
Proceeds/(repayment) of finance lease liability	(300 000)	-	(300 000)	
Proceeds/(repayment) of other long-term liabilities	3 378 290	-	3 378 290	
Net cash from financing activities	3 987 263	-	3 987 263	
Net increase / (decrease) in cash and cash equivalents	(13 272 017)	-	(13 272 017)	
Cash and cash equivalents at the beginning of the year	339 310 039	-	339 310 039	
Cash and cash equivalents at the end of the year	326 038 022	-	326 038 022	

Notes to the Annual Financial Statements

Note 1: Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

1.1 Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting.

The financial statements have been prepared in accordance with the Municipal Finance Management Act, (Act 56 of 2003) and effective standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 (revised March 2015).

The effective standards, IFRSs and IFRICs, in accordance with Directive 5, Appendix B: 1 April 2015, of the Accounting Standards Board are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture

Reference	Topic
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers
IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRIC 21	Levies

The following list of directives, interpretations and guidelines of the Standards of GRAP form part of the GRAP reporting framework:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 8	Transitional Provisions for Parliament and the Provincial Legislatures
Directive 9	The Application of the Standards of GRAP by Trading Entities
Directive 10	The Application of the Standards of GRAP by Public Further Education and Training Colleges
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue (As revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease

Reference	Topic
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Venturers
IGRAP 13	Operating leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

Accounting policies applied are consistent with those used to present the previous year's financial statements.

In terms of Directive 7 "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other Municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.
- in the case of land and buildings a value as determined by a registered valuator.

1.2 Standards, Amendments to Standards and Interpretations issued and approved but not yet effective

- a) Issued and approved without an effective date (these standards were not early adopted by the Municipality):

GRAP 18	Segment Reporting
GRAP 32	Service Concession Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

- b) Standards of GRAP that an entity may use to disclose information in its financial statements (this standard was not early adopted by the Municipality):

GRAP 20	Related Party Disclosures
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- c) Directives approved by the Board which are not yet effective (this directive was not early adopted by the Municipality):

Directive 12	The Selection of an Appropriate Reporting Framework by Public Entities
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1.3 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

1.5 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.6 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.7 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act (MFMA).

1.8 Presentation of Budget information

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the Statement of Comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2016 to 30 June 2017.

Material differences or variances are defined as any differences or variance above 10% with a value of more than R1 000 000. Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

1.10 Reserves

1.10.1 Capital Replacement Reserve (CRR)

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

1.11 Employee Benefits

(a) Pension obligations

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post-Retirement Medical obligations*

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the Municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) *Ex gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(e) *Accrued Leave pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

(f) *Accrued Annual and Performance bonuses*

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

(g) *Other short-term employee benefits*

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

1.12 Provisions

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The Municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

1.13 Leases

1.13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.13.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.14 Long-term liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.16 Payables from Exchange Transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.18 Unpaid Conditional Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.19 Value Added Tax

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.20 Property, Plant and Equipment**1.20.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.20.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.20.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

Asset Category	Asset Sub Category	Useful Life in years
Infrastructure Assets	Elec. Generation	10 - 30
	Elec. Reticulation	10 - 45
	Refuse	10 - 100
	Roads, Pavements & Bridges	10 - 50
	Sewerage: Purification	20 - 120
	Sewerage: Reticulation	10 - 100
	Storm water	10 - 50
	Street Lighting	5 - 20
	Water: Dams & Reservoirs	20 - 50
	Water: Purification	10 - 100
	Water: Reticulation	10 - 120

Asset Category	Asset Sub Category	Useful
Community Assets	Buses	10 - 15
	Cemeteries	20 - 100
	Community Halls	15 - 100
	Community: Other	15 - 100
	Fire, Safety & Emergency	10 - 100
	Libraries	10 - 100
	Museums & Art Galleries	10 - 100
	Parks & Gardens	5 - 50
	Recreational Facilities	15 - 100
	Social Rental Housing	10 - 100
	Sport fields & Stadiums	10 - 100
	Swimming Pools	10 - 20
Other Assets	Civic Land & Buildings	20 - 100
	Computers: Hardware & Equipment	4 - 5
	Furniture & Office Equipment	7 - 30
	General Vehicles	7 - 15
	Buildings	50 - 100
	Land	Indefinite
	Other: Other Assets	5 - 15
	Plant & Equipment	5 - 30
	Security Measures	5 - 10
	Specialised Vehicles	12 - 30

1.20.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.21 Investment Property

1.21.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use.

If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.21.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.21.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives. These useful lives can be extended in applying a review of useful lives.

Asset Category	Asset Sub Category	Useful life in years		
Investment Properties	Investment Properties: Land	Indefinite		
	Investment Properties: Building	20	-	100
	Site Assets	8	-	30
	Fixtures to Buildings	7	-	30

1.21.4 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.22 Intangible Assets

1.22.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the Municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.22.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.22.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The annual amortisation rates are based on the following estimated useful lives at acquisition of intangible assets. These useful lives can be extended in applying a review of useful lives.

Asset Category	Asset Sub Category	Useful life in Years		
Intangible Assets	Intangible Assets: Other	5	-	20
	Intangible Assets: Software	4	-	10

1.22.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.23 Heritage assets

1.23.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.23.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.23.3 Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.23.4 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.24 Biological assets

1.24.1 Initial Recognition

A biological asset is a living animal or plant which is part of an agricultural activity and entails the management of the biological transformation and harvest of biological assets for either the sale; distribution at no charge or for a nominal charge; or conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge. Agricultural produce is the harvested product of the Municipality's biological assets.

Biological assets shall be recognised when, and only when:

- a) the entity controls the asset as a result of past events;
- b) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- c) the fair value or cost of the asset can be measured reliably.

Biological assets are measured on initial recognition at its fair value less costs to sell, except where the fair value cannot be measured reliably. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

1.24.2 Subsequent Measurement

Biological assets are measured at each reporting period at their fair value less estimated point-of-sale costs. The fair value of the biological is determined based on current market prices, growth and/or volume and estimated value movement in point-of-sale cost.

1.24.3 Derecognition

On derecognition of biological assets due sale or nominal charge, the proceeds as a result of the sale or nominal charge are recognised as revenue in the statement of financial performance for the period in which it arises, whilst the cost of sale (fair value less cost of sale) is recognised as an expenditure in the statement of financial performance.

1.25 Impairment of non-financial assets

1.25.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.25.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciated replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. With this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.26 Non-current investments

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

1.27 Inventories**1.27.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.27.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

1.28 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. In determining whether an impairment should be recorded, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the future cash flows from a financial asset.

When a trade receivable is uncollectible, it is written off in terms of the Municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.29 Statutory Receivables

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.29.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised.

1.29.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account.

The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.29.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.30 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

1.31 Revenue Recognition

1.31.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is calculated by using a trend analysis and other historical data on electricity usage.

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue from the **sale of goods** is recognised when **all** the following conditions have been satisfied:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for **agency services** recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.31.2 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from **property rates** is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Fines constitute both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes/departments.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. **Contributed property, plant and equipment** are recognised when such items of property, plant and equipment are brought into use.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, Transfers and Donations

Revenue received from **conditional grants, donations and funding** are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.32 Grants and Subsidies paid

The Municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the Municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.33 Changes in accounting policy, estimates and errors

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

1.34 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the Municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, Municipality, or organ of state otherwise than in accordance with any conditions of the allocation,

- A grant by the Municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.36 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.37 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.38 Interest in Joint Venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

Jointly controlled assets

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The Municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

1.39 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.39.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

1.39.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Payables from exchange transactions
- Bank Overdraft
- Current Portion of Long-term Liabilities

1.39.3 Measurement

Initial Recognition:

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement:

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.39.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Receivables from exchange and non-exchange transactions are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of the receivables collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.39.5 Derecognition of Financial Instruments

1.39.5.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.39.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.39.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.40 Contingent Liabilities / Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and liabilities are not recognised in the Statement of Financial Position.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

1.41 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after the reporting date classified as adjusting events are accounted for in the financial statements.

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.42 Contractual commitments

Contractual commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.43 Significant accounting judgements and estimates

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of service debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of Traffic fines is based on an assessment of the past payment history of fines per category.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time. For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

The Municipality considers a project to be significantly delayed after a delay period of 12 months.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. (Refer to above accounting policies on estimates made)

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes/departments. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note when found material.

Notes 2 – 56: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

	2017	2016
	R	R
Balance at beginning of the year	21 560	750 539
Income	6 857	13 583
Land Sales	5 726	4 335
Interest on investments	1 131	9 248
Less: Expenditure	-	742 562
Funding Capital Projects	-	-
Funding Operating Projects	-	742 562
Total Housing Development Fund assets and liabilities	28 417	21 560

3. CAPITAL REPLACEMENT RESERVE

	2017	2016
	R	R
Balance at beginning of the year	126 575 281	129 630 102
Transfer from	106 141 119	78 186 735
Land Sales contribution	3 927 616	7 238 682
External Services contribution	7 512 760	5 361 570
Contribution from Operating account	63 700 743	65 586 483
Other	31 000 000	-
Less: Expenditure	91 542 450	81 241 556
Funding Capital Projects	91 542 450	81 241 556
Total Capital Replacement Reserve	141 173 950	126 575 281

The Capital Replacement Reserve is fully funded and invested in financial instruments.

4. FINANCE LEASE LIABILITY

	2017	2016
	R	R
Computers (Rentworks Africa)	186 911	542 343
Office equipment (Nashua, Minolta & ITEC)	93 329	104 087
Sub-total	280 240	646 430
Less: Current portion transferred to current liabilities	261 364	453 947
Computers (Rentworks Africa)	186 911	402 466
Office equipment (Nashua, Minolta & ITEC)	74 453	51 482
Total Finance lease liability	18 876	192 483

Finance lease liability:

Finance lease liabilities relate to computers and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 9.27 and 31.9 percent for Computers and between 9 and 31 percent for Office Equipment. Finance lease liabilities are secured over the items of office equipment and computers leased.

Obligations under Finance leases:

Finance lease liabilities - Minimum capital lease payments:

	2017	2016
	R	R
Not later than 1 year	276 305	423 234
Later than 1 year and not later than 5 years	19 860	356 389
Later than 5 years	-	-
	296 165	779 624
Future finance charges on finance leases	(15 925)	(133 193)
	280 240	646 430

The present value of finance lease liabilities is as follows:

	2017	2016
	R	R
Not later than 1 year	261 364	314 150
Later than 1 year and not later than 5 years	18 877	332 280
Later than 5 years	-	-
	280 240	646 430

Refer to Note 42.1 for details regarding the restatement of previous year balances.

5. OTHER LONG-TERM LIABILITIES

	2017 R	2016 R
Local registered stock loans	106 110	333 487
Long-term loans	30 993 649	26 800 000
Sub-total	31 099 759	27 133 487
Less: Current portion transferred to current liabilities	2 802 941	2 967 763
Local registered stock loans	61 538	215 386
Long-term loan	2 741 403	2 752 377
Total Other Long-term Liabilities	28 296 818	24 165 725

Refer to Appendix A for more detail on Long-term liabilities.

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and six years.

Long-term loan:

The Municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Seawater Desalination plant constructed in the 2010/11 financial year. This loan bear interest at a floating rate of 10.617%.

The Municipality has taken up a R4,8 million loan from ABSA Bank in the 15/16 financial year and an amount of R6,5 million in the current financial year to fund the Midbrak main sewer network project. These loan are both for a period of 10 years and bear interest at a all-in rate of 9.25% and 9.75% respectively.

6. NON-CURRENT PROVISIONS

	2017 R	2016 R
Rehabilitation of Landfill sites	75 460 759	71 202 727
Clearing of Alien Vegetation	23 900 038	20 124 054
	99 360 797	91 326 781
Less: Transfer to Current Provisions	5 164 096	1 062 300
Rehabilitation of Landfill sites	4 909 532	-
Clearing of Alien Vegetation	254 564	1 062 300
Total Non-Current Provisions	94 196 700	90 264 481
Rehabilitation of Landfill sites	70 551 226	71 202 727
Clearing of Alien Vegetation	23 645 474	19 061 754

The movement in non-current provisions is reconciled as follows:

30 June 2017

	<u>Alien Vegetation</u> R	<u>Rehabilitation of Landfill Sites</u> R
Balance at beginning of year	19 061 754	71 202 727
Contribution to provisions / Finance Costs	4 838 284	4 258 032
Reversal of unused amounts from current	845 436	-
Transfer to current provision	(1 100 000)	(4 909 532)
Balance at end of year	23 645 474	70 551 226

30 June 2016

	<u>Alien Vegetation</u> R	<u>Rehabilitation of Landfill Sites</u> R
Balance at beginning of year	12 939 026	66 667 596
Contribution to provisions / Finance Costs	7 185 028	3 544 195
Reversal of unused amounts from current	-	990 936
Transfer to current provision	(1 062 300)	-
Balance at end of year	19 061 754	71 202 727

6.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations for the rehabilitation of landfill sites. The provision has been determined by consulting engineers. The payment dates for the total closure and rehabilitation are uncertain, but are expected to be finalised by 2018.

6.2 CLEARING OF ALIEN VEGETATION

Provision is made for the clearing of alien vegetation as settlement of the obligations in response to the promulgation of the National Environmental Management Biodiversity Act (NEMBA): Invasive alien species regulations in 2014. In terms of these regulations local authorities must prepare an alien invasive species control plan that complies with section 76 of the NEMBA. It is uncertain when the full settlement of this provision will be finalised.

7. EMPLOYEE BENEFITS

	2017	2016
	R	R
Post Employment Health Care Benefits	78 430 000	96 341 000
Ex-Gratia Gratuities	1 546 000	1 625 000
Long Service Awards	15 326 000	14 673 000
	<u>95 302 000</u>	<u>112 639 000</u>
Less: Transfer to Current liability	7 156 000	5 544 000
Post Employment Health Care Benefits	5 392 000	4 265 000
Ex-Gratia Gratuities	202 000	279 000
Long Service Awards	1 562 000	1 000 000
	<u>88 146 000</u>	<u>107 095 000</u>
Total Non-Current liability	88 146 000	107 095 000
Post Employment Health Care Benefits	73 038 000	92 076 000
Ex-Gratia Gratuities	1 344 000	1 346 000
Long Service Awards	13 764 000	13 673 000

The movement in Employee benefits is reconciled as follows:

	Post Empl	Ex-Gratia	Long Service
	Health care	Gratuities	Awards
	Benefits	Gratuities	Awards
	R	R	R
30 June 2017			
Balance at beginning of year	96 341 000	1 625 000	14 673 000
Interest Cost	3 871 000	129 000	1 100 000
Service cost & transitional liability	7 706 000	-	1 344 000
Benefit payments (Expenditure incurred)	(5 000 303)	(198 052)	(1 021 155)
Actuarial (gain) / loss	(24 487 697)	(9 948)	(769 845)
Transfer to current provision	(5 392 000)	(202 000)	(1 562 000)
Balance at end of year	<u>73 038 000</u>	<u>1 344 000</u>	<u>13 764 000</u>
30 June 2016			
Balance at beginning of year	86 151 000	1 742 000	13 917 000
Interest Cost	3 052 000	150 000	1 153 000
Service cost & transitional liability	7 785 000	-	1 272 000
Benefit payments (Expenditure incurred)	(4 363 946)	(198 263)	(910 414)
Actuarial loss / (gain)	3 716 946	(68 737)	(758 586)
Transfer to current provision	(4 265 000)	(279 000)	(1 000 000)
Balance at end of year	<u>92 076 000</u>	<u>1 346 000</u>	<u>13 673 000</u>

DEFINED BENEFIT PLAN INFORMATION

7.1 POST EMPLOYMENT HEALTH CARE BENEFITS

7.1.1 Introduction and Statistics used:

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Subsidy Arrangements

Mossel Bay is committed to pay subsidies broadly as follows:

- All new continuation pensioners (that are currently still in service) and their dependants will receive a 70% subsidy subject to the maximum (CAP) amount of R3,871 (per month per member) for the period 1 July 2016 to 30 June 2017. The maximum (CAP) amount was R3,898.28 in the previous financial year.
- All existing continuation pensioners and their dependants will continue to receive a 70% subsidy subject to the maximum (CAP) amount of R3,871 (per month per member) for the period 1 July 2016 to 30 June 2017. That said, there are four continuation pensioners who receive a 100% subsidy. The maximum (CAP) amount was R3,898.28 in the previous financial year.

Valuation Method

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2017	2016
- Active employees	462	463
- Continuation pensioners	128	125
Total	590	588

The unfunded liability in respect of past service has been estimated as follows:

	2017	2016
	R	R
- Active employees	30 789 000	42 602 000
- Continuation pensioners	47 641 000	53 739 000
	78 430 000	96 341 000

Summary of Active employees:

Number of Principal members	462	463
Average age (years)	42.1	42.4
Average past service (years)	10.5	10.2
Average employer monthly contribution	R 2 379	R 1 977

Summary of Continuation pensioners:

Number of Principal members	128	125
Average age (years)	67.5	71.6
Average employer monthly contribution	R 3 471	R 3 046

The active employees were assumed to have one dependent, on retirement, in the form of a spouse, as per the marriage assumption table.

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- HOSMED;
- LA Health;
- Key Health;
- SAMWUMED.

7.1.2 Results of Valuation:

1) Accrued Liability

	2017 R	2016 R
Active employees	30 789 000	42 602 000
Continuation pensioners	47 641 000	53 739 000
All members		
Total Value of liabilities	78 430 000	96 341 000
Value of assets	-	-
Unfunded Accrued Liability	78 430 000	96 341 000

The total liability decreased by 18.6% over the accounting period.

2) Current-Service and Interest Costs

	2017 R	2016 R
Current-service Cost (Active employees)	3 871 000	3 052 000
Interest Cost (All members)	7 706 000	7 785 000
Total Cost	11 577 000	10 837 000

3) Actuarial gains and losses

	2017 R	2016 R
Actuarial (Gain) / Loss for the period	(24 487 697)	3 716 946

The main reasons for the actuarial gain can be attributed to the following factors:

1. Discount rate changes – The net discount rate changed from 0.75% to 2.10% during the valuation period. The net discount rate is inversely related to the provision towards the post employment medical subsidies. The increased net discount rate results in a lower accrued liability. As a result, the accrued liability **decreased** by **R 12 281 000** in the current valuation period.

2. Participant changes - The movements in the number of participants resulted in a **decrease** to the accrued liability by **R 14 347 000**.

3. Medical inflationary changes – The medical inflation assumption in the previous valuation period was lower than the actual increases in the medical contributions experienced by participants. This **increased** the liability with **R 2 497 000**.

4. Miscellaneous – The miscellaneous items in the data resulted in a **decrease** to the liability by **R 356 000**. Factors that make up the miscellaneous items are changes to data from prior year and variations from demographic assumptions (i.e. rates of withdrawal).

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R	Year ending 30/06/2018 R	Year ending 30/06/2019 R
Opening Accrued Liability	81 877 000	86 151 000	96 341 000	78 430 000	83 680 000
Current-service Cost	2 793 000	3 052 000	3 871 000	2 933 000	3 228 000
Interest Cost	7 391 000	7 785 000	7 706 000	7 709 000	8 398 000
Contributions (Benefit payments)	(3 955 573)	(4 363 946)	(5 000 303)	(5 392 000)	(5 813 000)
Total Annual Expense	6 228 427	6 473 054	6 576 697	5 250 000	5 813 000
Actuarial Loss / (Gain)	(1 954 427)	3 716 946	(24 487 697)	-	-
Closing Accrued Liability	86 151 000	96 341 000	78 430 000	83 680 000	89 493 000

7.1.3 Key actuarial assumptions used:

Valuation Assumptions

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is the expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

1) Financial Variables

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Net Discount Rate	2017	2016
Discount rate (D)	10.07%	8.18%
Consumer price inflation (C)	6.81%	5.87%
Health care cost inflation (H)	7.81%	7.37%
Net discount rate $((1+D)/(1+H)-1)$	2.10%	0.75%

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2016 the duration of liabilities was 13.17 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 10.07% per annum, and the yield on the inflation-linked bonds of a similar term was about 2.58% per annum, implying an underlying expectation of inflation of 6.81% per annum $[(1 + 10.07\% - 0.05\%) / (1 + 2.58\%) - 1]$.

A healthcare cost inflation rate of 7.81% was assumed. This is 1.0% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. A net discount factor of 2.10% per annum $[(1 + 10.07\%) / (1 + 7.81\%) - 1]$ has thus been assumed. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

2) Demographic and Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as

	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age (to take account for ill-health and early retirement decrements)	63	-
Employment age used for past service period	Actual service entry ages	
Age difference between spouses	5 years	Actual ages used
Proportion married	Actual marital status	
Mortality	SA85-90 (Normal)	PA (90)

3) Withdrawal rates

The following withdrawal assumptions were applicable over the current valuation periods:

Age Band	Withdrawal rate Males	Withdrawal rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

4) Continuation Percentages

The assumption is that continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

7.1.4 The amounts recognised in the Statement of Financial Position are as follows:

	2017 R	2016 R
Present value of fund obligations	78 430 000	96 341 000
Fair value of plan assets	-	-
Unfunded Accrued Liability	78 430 000	96 341 000
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	78 430 000	96 341 000

7.1.5 The amounts recognised in the Statement of Financial Performance are as follows:

	2017 R	2016 R
Current service cost	3 871 000	3 052 000
Interest cost	7 706 000	7 785 000
Actuarial (gains) / losses	(24 487 697)	3 716 946
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	<u>(12 910 697)</u>	<u>14 553 946</u>

7.1.6 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000	Year ending 30/06/2015 R'000	Year ending 30/06/2016 R'000	Year ending 30/06/2017 R'000
Present value of accrued liability	141 568	81 877	86 151	96 341	78 430
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(141 568)	(81 877)	(86 151)	(96 341)	(78 430)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000	Year ending 30/06/2015 R'000	Year ending 30/06/2016 R'000	Year ending 30/06/2017 R'000
Plan liabilities (Gain) / Loss	1 932	622	(145)	(91)	(12)
Plan assets	-	-	-	-	-

7.1.7 Sensitivity Analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Long-term Discount Rate

The effect of a one percent increase and decrease in the long-term discount rate is as follows:

	1% decrease R000's	30 June 2017 Valuation basis R000's	1% increase R000's
Employer's accrued liability	88 982	78 430	69 750
Service cost	3 494	2 933	2 485
Interest cost	7 901	7 709	7 515

As per the table above, a 1% increase in the long-term discount rate results in a 11.07% decrease in the accrued liability whilst a 1% decrease in the long-term discount rate will result in a 13.45% increase in the accrued liability.

Mortality

The table that follows shows the impact of a change in the mortality assumption from the base assumption of PA(90). It shows the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

	-20% Mortality rate R000's	30 June 2017 Valuation basis R000's	+20% Mortality rate R000's
Employer's accrued liability	83 175	78 430	74 515
Service cost	3 054	2 933	2 827
Interest cost	8 187	7 709	7 316

* Reducing the mortality by 20% implies that for each beneficiary they are likely to live longer having been assigned a mortality rate applicable to a younger individual and vice-versa when the mortality is increased by 20%.

The 20% negative adjustment would result in a 6.05% increase in the accrued liability whilst a 20% positive adjustment would result in a 4.99% decrease in the accrued liability.

7.2 EX-GRATIA GRATUITIES

7.2.1 Introduction and Statistics used:

The employer's Ex-Gratia Pensions liability consists of a commitment to pay pensions to eligible employees upon meeting the condition admissible for an Ex-Gratia Pension. This liability is also generated in respect of spouse dependants who are offered continued Ex-Gratia pensions on the death of the primary Ex-Gratia pensioner.

Mossel Bay is committed to pay Ex-Gratia Pensions as follows:

- Certain pensions are paid by the Municipality from its revenue and are therefore not funded by any of the Municipality's pension funds. The Revenue Pensions are also referred to as "Ex-Gratia" Pensions. Ex-Gratia pensioners receive a monthly Ex-Gratia pension, increased annually and payable for life.
- Spouses receive 60% upon the Ex-Gratia pensioner's death.
- Ex-Gratia Pension increase aim to target 50% of long term CPI.

Valuation Method

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's Ex-Gratia Pensions costs in respect of an Ex-Gratia pensioner should be fully recognised by the time that the Ex-Gratia pensioner reaches fully accrued age whilst in service. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

Statistics on eligible retirees:

	2017	2016
Number of Pensioners	7	8
Average monthly subsidy	R 2 330	R 2 065
Pension-weighted average age (years)	80.1	82.0

7.2.2 Results of Valuation:

1) Accrued Liability

	2017	2016
Total Value of liabilities	R 1 546 000	R 1 625 000
Value of assets	-	-
Unfunded Accrued Liability	1 546 000	1 625 000

The total liability decreased by 4.9% over the accounting period.

2) Current-Service and Interest Costs

	2017	2016
Total Interest Costs	R 129 000	R 150 000

The service cost is nil as there are not active employees accruing service towards this benefit.

3) Actuarial gains and losses

	2017	2016
Actuarial (Gain)/Loss for the period	R (9 948)	R (68 737)

The main reasons for the actuarial gain can be attributed to the following factors:

1. Discount rate changes – The net discount rate changed from 5.34% to 5.72% during the valuation period. The net discount rate is inversely related to the provision towards the Ex-Gratia pensions. The increased net discount rate resulted in a **decrease of R 41 000** in the current valuation period.

2. Participant changes - The movements in the number of participants, from 8 to 7, resulted in a **decrease** in the accrued liability of **R 5 000**.

3. Miscellaneous - The miscellaneous items in the data resulted in an **increase** to the liability of **R 36 000**. Factors that make up the miscellaneous items are changes to data from prior year and variations from demographic assumptions (i.e. rates of withdrawal).

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
	R	R	R	R	R
Opening Accrued Liability	1 822 000	1 742 000	1 625 000	1 546 000	1 468 000
Current-service Cost*	-	-	-	-	-
Interest Cost	142 000	150 000	129 000	124 000	118 000
Benefit payments	(198 263)	(198 263)	(198 052)	(202 000)	(207 000)
Total Annual Expense	(56 263)	(48 263)	(69 052)	(78 000)	(89 000)
Actuarial (Gain) / Loss	(23 737)	(68 737)	(9 948)	-	-
Closing Accrued Liability	1 742 000	1 625 000	1 546 000	1 468 000	1 379 000

*The service cost is nil as there are no active employees accruing service towards this benefit.

7.2.3 Key actuarial assumptions used:

1) Financial Variables

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Net Discount Rate	2017	2016
Discount rate (D)	8.55%	8.71%
Consumer price inflation (C)	5.35%	6.39%
Ex-Gratia pension increase (50% of CPI)	2.68%	3.20%
Net discount rate $((1+D)/(1+H)-1)$	5.72%	5.34%

It is the relative levels of the discount rate and Ex-Gratia pension increase target to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is the expectation of the long-term average.

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2016 the duration of liabilities was 6.15 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 8.55% per annum, and the yield on the inflation-linked bonds of a similar term was about 2.56% per annum, implying an underlying expectation of inflation of 5.35% per annum $((1 + 8.55\% - 0.5\%) / [1 + 2.56\%] - 1)$.

An Ex-Gratia pension increase rate of 2.68% was assumed. This is 50% of the expected inflation over the expected term of the liability.

However, it is the relative levels of the discount rate and Ex-Gratia pension increase to one another that are important, rather than the nominal values. A net discount factor of 5.72% per annum $((1 + 8.55\%) / [1 + 2.68\%] - 1)$ has thus been assumed. This

2) Demographic and Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as

	Ex-Gratia Pensioners
Age difference between spouses	Males 5 years older than Females
Proportion married	Actual marital status
Mortality	PA (90)

3) Continuation Percentages

The assumption is that continuation of the Ex-Gratia pension would be at 60% of the principal Ex-Gratia pensioner.

7.2.4 The amounts recognised in the Statement of Financial Position are as follows:

	2017 R	2016 R
Present value of fund obligations	1 546 000	1 625 000
Fair value of plan assets	-	-
Unfunded Accrued Liability	1 546 000	1 625 000
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	1 546 000	1 625 000

7.2.5 The amounts recognised in the Statement of Financial Performance are as follows:

	2017 R	2016 R
Current service cost	-	-
Interest cost	129 000	150 000
Actuarial losses/ (gains)	(9 948)	(68 737)
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	119 052	81 263

7.2.6 History of Liabilities, Assets and Experience Adjustments:

1) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R
Present value of accrued liability	1 793 426	1 822 000	1 742 000	1 625 000	1 546 000
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(1 793 426)	(1 822 000)	(1 742 000)	(1 625 000)	(1 546 000)

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R
Plan liabilities (Gain) / Loss	207 048	16 000	(23 737)	5 000	(5 000)
Plan assets	-	-	-	-	-

7.2.7 Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Discount rate

The effect of a one percent increase and decrease in the net discount rates is as follows:

	1% decrease R000's	30 June 2017 Valuation basis R000's	1% increase R000's
Employer's accrued liability	1 643	1 546	1 460
Interest cost	117	124	130

As per the table above, a 1% increase in the net discount rate results in a 5.56% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 6.27% increase in the accrued liability.

Mortality

The table that follows shows the impact of a change in the mortality assumption from PA(90) to PA(90)-2 with a two year adjustment.

	30 June 2017 Valuation basis	PA(90)-2
	R000's	R000's
Employer's accrued liability	1 546	1 660
Interest cost	124	134

* PA(90)-2 (PA(90) with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two year adjustment to the mortality assumption as at 30 June 2017. The adjustment would result in a 7.37% increase in the accrued liability.

7.3 LONG SERVICE AWARDS

7.3.1 Introduction and Statistics used:

Long Service Awards Liabilities

The long service bonus awards are accumulated leave days allocated for years of service by the employee to the Municipality. The long service bonus awards are allocated in the form of annual leave days and is convertible into cash in the year the employee attains the service eligible for an award. As a result the award is also a function of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 249.

Accounting Standard GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

Valuation Method

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date.

In determining these liabilities, due allowance has been made for future award increases.

For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death.

In accordance with the requirements of GRAP 25, the Projected Unit Credit method of funding has been applied.

Nature of the liability

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year the employee attains the required service. This obligation represents a liability to the employer and the value is represented by the present value of the

Mossel Bay Municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. In addition a 14th Cheque is awarded from 30 years of service onwards to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed Service (Years)	Long Service Bonus Award (Working Days)	14th Cheque	Determination of cash bonus
10	10	-	$(10/249^*) \times \text{Annual Salary}$
15	15	-	$(15/249^*) \times \text{Annual Salary}$
20	20	-	$(20/249^*) \times \text{Annual Salary}$
25	25	-	$(25/249^*) \times \text{Annual Salary}$
30	30	14th cheque = $1/12 \times \text{Annual Salary}$	$(30/249^* + 1/12) \times \text{Annual Salary}$
35	35	14th cheque = $1/12 \times \text{Annual Salary}$	$(35/249^* + 1/12) \times \text{Annual Salary}$
40	40	14th cheque = $1/12 \times \text{Annual Salary}$	$(40/249^* + 1/12) \times \text{Annual Salary}$
45	45	14th cheque = $1/12 \times \text{Annual Salary}$	$(45/249^* + 1/12) \times \text{Annual Salary}$

*A day of accumulated leave is worth 1/249 of the annual salary

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. The assumption is that in all cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Valuation of Assets

We are not aware of any assets set aside for long service bonus awards funding that qualify as plan assets in terms of the requirements of GRAP 25. As such a nil value has been ascribed to the fair value of plan assets.

Statistics on eligible employees:

	2017	2016
Number of eligible employees	880	868
Average annual salary (Rand)	167 680	147 777
Salary-weighted average age (years)	42.34	42.37
Salary-weighted average past service (years)	10.07	9.98

7.3.2 Results of Valuation:

1) Accrued Liability

	2017 R	2016 R
Total Value of liabilities	15 326 000	14 673 000
Value of assets	-	-
Unfunded Accrued Liability	15 326 000	14 673 000
Average liability per member	17 416	16 904

The total liability increased by 4.5% over the accounting period.

2) Current-Service and Interest Costs

	2017 R	2016 R
Current-service Cost	1 100 000	1 153 000
Interest Cost	1 344 000	1 272 000
Total Cost	2 444 000	2 425 000

3) Actuarial gains and losses

	2017 R	2016 R
Actuarial (Gain)/Loss for the period	(769 845)	(758 586)

The main reasons for the actuarial loss can be attributed to the following factors:

1. Discount rate changes – The net discount rate changed from 0.76% to 1.60% during the valuation period. The net discount rate is inversely related to the provision towards future bonus payments. The increased net discount rate resulted in a **decrease of R 925 000** in the accrued liability in the current valuation period.

2. Staff changes – Movements in the staff employed by Mossel Bay Municipality resulted in a **decrease** to the accrued liability of **R 638 000**.

3. Salary changes – The salary increases anticipated as at 01 July 2017 resulted in an **increase** to the liability of **R 1 186 000**.

4. Miscellaneous – The miscellaneous items in the data resulted in a **decrease** to the liability by **R 393 000**. Factors that make up the miscellaneous items are changes to membership composition, data changes, variations from demographic assumptions

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
	R	R	R	R	R
Opening Accrued Liability	13 276 000	13 917 000	14 673 000	15 326 000	16 179 000
Current-service Cost	1 094 000	1 153 000	1 100 000	1 122 000	1 132 000
Interest Cost	1 088 000	1 272 000	1 344 000	1 293 000	1 394 000
Benefit payments	(1 043 473)	(910 414)	(1 021 155)	(1 562 000)	(1 006 000)
Total Annual Expense	1 138 527	1 514 586	1 422 845	853 000	1 520 000
Actuarial Loss / (Gain)	(497 527)	(758 586)	(769 845)	-	-
Closing Accrued Liability	13 917 000	14 673 000	15 326 000	16 179 000	17 699 000

7.3.3 Key actuarial assumptions used:

1) Financial Variables

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

	2017	2016
Discount rate	8.89%	8.86%
CPI	6.17%	7.04%
Salary increase rate	7.17%	8.04%
Net Discount Rate	1.60%	0.76%

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2016 the duration of liabilities was 7.65 years. At this duration the discount rate determined by using the Bond Exchange Zero (JSE) Coupon Yield Curve as at 30 June 2017 is 8.89% per annum, and the yield on inflation-linked bonds of a similar term was about 2.56% per annum. This implies an underlying expectation of inflation of 6.17% per annum $[(1 + 8.89\%) / (1 + 2.56\%) - 1]$.

It has been assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 7.17% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. A net discount factor of 1.60% per annum $[(1 + 8.89\%) / (1 + 7.17\%) - 1]$ was thus assumed.

2) Demographic and mortality assumptions

	2017	2016
Normal retirement age (years)	65	65
Assumed retirement age (years)*	63	63
Mortality	SA85-90	SA85-90

*The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

3) Promotional salary increase rates

In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age Band	Promotional increases
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
>45	-%

4) Withdrawal Decrements

The following withdrawal assumptions were applicable over the current valuation periods:

Age Band	Withdrawal rate Males	Withdrawal rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

7.3.4 The amounts recognised in the Statement of Financial Position are as follows:

	2017 R	2016 R
Present value of fund obligations	15 326 000	14 673 000
Fair value of plan assets	-	-
Unfunded Accrued Liability	15 326 000	14 673 000
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	15 326 000	14 673 000

7.3.5 The amounts recognised in the Statement of Financial Performance are as follows:

	2017 R	2016 R
Current service cost	1 100 000	1 153 000
Interest cost	1 344 000	1 272 000
Actuarial losses/ (gains)	(769 845)	(758 586)
Total included in employee related costs (Note 33) and Actuarial losses	1 674 155	1 666 414

7.3.6 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets:

	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R
Present value of accrued liability	9 628 292	13 276 000	13 917 000	14 673 000	15 326 000
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(9 628 292)	(13 276 000)	(13 917 000)	(14 673 000)	(15 326 000)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R
Plan liabilities (Gain) / Loss	986 908	850 000	(58 000)	(46 000)	548 000
Plan assets	-	-	-	-	-

7.3.7 Sensitivity Analysis:

The liability derived by this valuation is dependent on the assumptions set out, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised by Mossel Bay Municipality in accordance with a consistently applied amortisation process.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Salary Inflation

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.60% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease	30 June 2017 Valuation basis	1% increase
	R000's	R000's	R000's
Employer's accrued liability	14 266	15 326	16 509
Employer's current service cost	1 031	1 122	1 226
Employer's interest cost	1 199	1 293	1 398

The above table illustrates that for the 30 June 2017 financial year, a 1% increase in the salary increase rate assumption will result in a 7.72% increase in the accrued liability, whilst, a 1% decrease in the salary increase rate assumption will result in a 6.92% decrease in the accrued liability.

Mortality

The table that follows shows the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two year adjustment.

	30 June 2017 Valuation basis SA85-90	SA85-90 -2
	R000's	R000's
Employer's accrued liability	15 329	15 471
Employer's current service cost	1 122	1 133
Employer's expense cost	1 293	1 306

* SA85-90 -2(with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two year adjustment to the mortality assumption as at 30 June 2017. The adjustment would result in a 0.95% increase in the accrued liability.

7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CONSOLIDATED RETIREMENT FUND

The restructuring of the fund was recently successfully concluded with the transfer of the last remaining active defined benefit members to the defined contribution section. The last valuation for the Consolidated Retirement Fund was performed for the year ended 30 June 2016. As at the valuation date, the total value of net assets of the Fund was R20.119 billion (2015: R18.363 billion). An effective investment return of 8.1% (2015: 5.2%) per annum was awarded for the Growth Portfolio, 7.1% (2015: 7.1%) for the Protection Portfolio, 6.9% (2015: 7.9%) for the Moderate Portfolio and 7.4% (2015: 7.2%) per annum for the Pensioner Portfolio for the year ending 30 June 2016. The funding level for the Member Share Account was 100.5% (2015: 100.0%), 100.0% (2015: 100%) for the Preservation Pension Account and 118.0% (2015: 112.1%) for the Pensions Account.

SALA PENSION FUND

The SALA Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the 12 month period ended 30 April 2016 revealed that as at the valuation date the total assets of the fund was R13.924 billion. Active Member's portion of the total Fund returned 5.18%, DC Members returned 5.16% and Pensioners Members' portion returned 4.97% per

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the councillors is sufficient to fund the benefits accruing from the fund in the future. The last valuation performed for the 12 month period ended 30 November 2015 revealed that as at the valuation date the total assets of the fund was R 2.651 billion and the total fund returned 10.64%.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The last valuation for the South African Municipal Workers Union National Provident Fund (renamed the Municipal Workers' Retirement Fund with effect from 1 March 2016), was performed for the year ended 30 June 2015. As at the valuation date, the Fund's assets was sufficient to cover the member's Fund Credits and the brought-forward 2014 surplus, and to provide an acceptable level for the risk benefits reserve, data reserve and investment smoothing reserve as at 30 June 2015. The Fund was therefore in a sound financial position. The funding level remained unchanged at 100.0%. The investment smoothing reserve has decreased from 4.6% to 4.2% of the market value of assets.

8. NON-CURRENT DEPOSITS

	2017	2016
	R	R
Santos Pavilion Repair Fund		
Balance at beginning of year	262 092	251 591
Contributions during the year	-	-
Interest on Investment	12 449	10 501
Expenditure during the year	-	-
	<u>274 541</u>	<u>262 092</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

9. CONSUMER DEPOSITS

	2017	2016
	R	R
Electricity	13 546 151	12 520 012
Water	9 694 520	8 324 420
Total consumer deposits	<u>23 240 671</u>	<u>20 844 433</u>
Guarantees held in lieu of electricity deposits	<u>-</u>	<u>-</u>

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

10. PROVISIONS (CURRENT PORTION)

	2017	2016
	R	R
Rehabilitation of Landfill sites	4 584 326	-
Clearing of Alien Vegetation	1 100 000	1 000 000
Total Provisions	<u>5 684 326</u>	<u>1 000 000</u>

The movement in current provisions are reconciled as follows:

	2017	2016
	R	R
Rehabilitation of Landfill sites		
Balance at beginning of year	-	990 936
Transfer from non-current	4 909 532	-
Unused amount reversed to non-current		(990 936)
Expenditure incurred	(325 207)	-
Balance at end of year	<u>4 584 326</u>	<u>-</u>

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer Note 6)

	2017	2016
	R	R
Clearing of Alien Vegetation		
Balance at beginning of year	1 000 000	250 000
Transfer from non-current	1 100 000	1 062 300
Unused amount reversed to non-current provision	(845 436)	-
Expenditure incurred	(154 564)	(312 300)
Balance at end of year	<u>1 100 000</u>	<u>1 000 000</u>

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer Note 6)

11. CURRENT EMPLOYEE BENEFITS

	2017	2016
	R	R
Current portion of Post Employment Health Care Benefits (Refer to Note 7)	5 392 000	4 265 000
Current portion of Ex-Gratia Gratuities (Refer to Note 7)	202 000	279 000
Current portion of Long Service Awards (Refer to Note 7)	1 562 000	1 000 000
Staff Leave accrual	14 227 038	12 825 947
Performance Bonuses accrual	753 593	546 970
Employee Bonuses accrual	4 965 196	4 770 284
Employee Overtime / Standby allowances accrual	1 059 393	845 939
Total Current Employee Benefits	28 161 219	24 533 140
Performance bonuses accrual	2017	2016
	R	R
Balance at beginning of year	546 970	629 483
Contributions to provisions	754 841	481 674
Expenditure incurred	(548 218)	(564 187)
Balance at end of year	753 593	546 970

Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

Staff leave accrual

	2017	2016
	R	R
Balance at beginning of year	12 825 947	12 247 889
Contributions to provisions	2 009 594	1 914 540
Expenditure incurred	(608 503)	(1 336 482)
Balance at end of year	14 227 038	12 825 947

Staff Leave Accrual:

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

Employee bonus accrual

	2017	2016
	R	R
Balance at beginning of year	4 770 284	4 516 721
Contributions to provisions	4 965 196	4 770 284
Expenditure incurred	(4 770 284)	(4 516 721)
Balance at end of year	4 965 196	4 770 284

Employee bonus Accrual:

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

Employee Overtime / Standby allowances

	2017	2016
	R	R
Balance at beginning of year	845 939	764 031
Contributions to provisions	1 059 393	845 939
Expenditure incurred	(845 939)	(764 031)
Balance at end of year	1 059 393	845 939

Employee Overtime / Standby allowances accrual:

An accrual is done for the Overtime/Standby allowances that accrued to employees with regards to the financial year.

12. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
	R	R
Trade payables	73 226 811	60 060 108
Payments received in advance	26 603 211	23 776 134
Accrued Expenditure	13 474	20 358
Retentions	9 652 329	8 508 867
Other payables	2 052 815	1 078 969
Other deposits	3 700 166	3 212 240
Total Payables from exchange transactions	115 248 805	96 656 677

Refer to Note 42.6 for details regarding the restatement of previous year balances.

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

13. UNSPENT / (UNPAID) CONDITIONAL GRANTS AND RECEIPTS

	2017	2016
	R	R
<u>13.1.1 Unspent conditional grants from spheres of government</u>	37 770 941	20 143 845
Provincial Grants (Note 29)	37 770 941	20 081 725
National Grants (Note 29)	(0)	43 391
District Municipality (Note 29)	(0)	18 729
<u>13.1.2 Unspent other conditional receipts</u>	192 356	612 548
Developers contributions (Note 31)	-	-
Public contributions (Note 31)	192 356	612 548
Total unspent conditional grants and receipts	37 963 297	20 756 394
<u>13.2.1 Unpaid conditional grants from spheres of government</u>	-	(2 340 000)
National Grants (Note 29)	-	(2 340 000)
<u>13.2.2 Unpaid other conditional receipts</u>	(0)	(175 000)
Public contributions (Note 31)	(0)	(175 000)
Total unpaid conditional grants and receipts	(0)	(2 515 000)

These amounts are invested until utilised in terms of section 12 of the MFMA.

Refer to Note 29 for reconciliation of Grants & Subsidies and Note 31 for reconciliation of Public Contributions. Also refer to Appendix D for detail per Vote, per Project and Per Grant/contribution.

14. VAT Payable / Receivable

	2017	2016
	R	R
VAT Payable	-	-
VAT Receivable	8 071 251	5 603 034
Total VAT Receivable / (Payable)	8 071 251	5 603 034

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over to SARS.

15. PROPERTY, PLANT & EQUIPMENT

	2017	2016
	R	R
As at 30 June 2017		
Carrying values at the beginning of the year	1 885 398 696	1 806 767 671
Cost	2 225 300 656	2 179 301 494
Under Construction	173 804 985	80 901 520
Accumulated Depreciation	(513 706 945)	(453 435 344)
<u>Movement in Cost:</u>		
Acquisitions - PPE	119 966 880	61 024 154
Disposals	(3 159 059)	(16 836 562)
Reversal of impairment losses	315 117	1 811 569
<u>Movement in Under Construction:</u>		
Under Construction - Additions	144 823 489	136 206 712
Completed Under construction	(119 966 880)	(43 303 247)
<u>Movement in Accumulated Depreciation:</u>		
Depreciation	(62 673 026)	(64 271 900)
Accumulated Depreciation on disposals	2 465 115	4 000 300
Carrying values at the end of the year	1 967 170 332	1 885 398 696
Cost	2 342 423 593	2 225 300 656
Under Construction	198 661 594	173 804 985
Accumulated Depreciation	(573 914 856)	(513 706 945)

Refer to Note 42.3 for details regarding the restatement of previous year balances.

Refer to Notes 44.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of PPE assets.

Refer to Note 51 for the amount of contractual commitment for the acquisition of PPE. The amount of R100 761 942 for contractual commitments is approved and contracted.

Finance lease liabilities are secured over the items of computer equipment and office equipment leased. The total carrying value of these leased assets at 30 June 2017 is R 292 558 and include leased assets where the finance leases have been fully redeemed, but the assets are still used by the Municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the Infrastructure cost is an amount of R127 832 541 for the Seawater Desalination Plant which was completed during the 2012/13 year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the Seawater Desalination facility for the following year.

The impairment of the guard hut at Louis Fourie landfill site due to structural damage were reversed as a result of the restoration work that were completed in June 2017. The rest of the impairment reversal is due to the unwinding of the interest as a result in the change of interest rates on the restoration cost of landfill sites.

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2017

	Cost							Accumulated Depreciation					Carrying value	Proceeds on Disposals	Gains on Disposals	Loss on Disposals
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed	Closing balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE ASSETS																
Elec. Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elec. Reticulation	245 672 052	57 256 182	-	15 790 134	-	-	11 942	318 706 425	69 312 453	-	5 591 975	7 932	74 896 497	243 809 928	72	3 939
Solid Waste	17 527 116	-	-	-	-	-270 142	-	17 797 257	13 754 222	-	748 807	-	14 503 028	3 294 229	-	-
Refuse	130 731	-	-	-	-	-44 975	-	175 706	42 940	-	5 549	-	48 489	127 217	-	-
Roads, Pavements & Bridges	411 850 234	58 050 703	-	26 270 262	-240 520	-	-	495 930 678	87 409 303	-31 569	12 789 204	-	100 166 937	395 763 740	-	-
Sewerage: Purification	95 743 735	1 616 769	-	19 507 642	-	-	-	116 868 147	31 581 766	-	4 046 507	-	35 628 273	81 239 873	-	-
Sewerage: Reticulation	238 274 905	17 789 463	-	7 230 405	-	-	49 092	263 245 680	62 465 888	-	6 017 918	10 627	68 473 179	194 772 501	-	38 466
Stormwater	109 004 335	6 888 677	-	12 474 455	225 320	-	-	128 592 787	20 903 171	29 545	2 858 036	-	23 790 751	104 802 036	-	-
Street Lighting	3 082 206	-	-	-	-	-	-	3 082 206	570 523	-	143 017	-	713 540	2 368 666	-	-
Water: Dams & Reservoirs	56 285 226	-	-	-	-	-	-	56 285 226	21 770 370	-	1 091 110	-	22 861 480	33 423 746	-	-
Water: Purification	210 637 411	-	-	1 372 589	-	-	188 346	211 821 654	37 876 780	-	6 840 164	186 096	44 530 848	167 290 805	530	1 720
Water: Reticulation	150 199 664	36 490 260	-	3 154 349	-	-	11 620	189 832 654	50 850 217	-	5 664 567	11 352	56 503 432	133 329 222	-	268
Sub-Total	1 538 407 613	178 092 054	-	85 799 836	-15 200	-315 117	261 001	1 802 338 419	396 537 633	-2 025	45 796 854	216 007	442 116 456	1 360 221 963	602	44 392
COMMUNITY ASSETS																
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	659 747	-	-	132 095	-	-	-	791 842	121 023	-	24 912	-	145 935	645 907	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	31 220 351	-	-	93 943	-	-	-	31 314 294	3 520 512	-	394 519	-	3 915 031	27 399 262	-	-
Fire, Safety & Emergency	6 946 526	-	-	59 856	-	-	-	7 006 382	1 332 519	-	160 843	-	1 493 362	5 513 020	-	-
Libraries	9 469 472	-	-	4 023 510	15 200	-	13 017	13 495 165	1 368 696	2 025	171 429	1 295	1 540 855	11 954 310	-	11 722
Museums & Art Galleries	430 000	-	-	-	-	-	-	430 000	-	-	-	-	-	430 000	-	-
Parks & Gardens	7 063 227	-	-	-	-	-	-	7 063 227	-	-	-	-	-	7 063 227	-	-
Recreational Facilities	57 642 050	-	-	3 165 522	-	-	22 500	60 785 071	15 038 460	-	1 911 421	2 710	16 947 170	43 837 901	307	19 483
Social Rental Housing	25 335 517	-	-	-	-	-	-	25 335 517	4 234 991	-	441 771	-	4 676 762	20 658 755	-	-
Sport fields & Stadiums	132 638 152	2 438 825	-	1 396 923	-	-	-	136 473 899	21 554 204	-	2 690 269	-	24 244 473	112 229 426	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Other	72 238 815	-	-	9 531 859	-	-	-	81 770 674	10 124 334	-	1 101 441	-	11 225 774	70 544 900	-	-
Sub-Total	343 643 857	2 438 825	-	18 403 707	15 200	-	35 517	364 466 072	57 294 739	2 025	6 896 605	4 005	64 189 363	300 276 708	307	31 204
Total carried forward	1 882 051 471	180 530 878	-	104 203 543	-0	-315 117	296 518	2 166 804 491	453 832 372	-0	52 693 459	220 012	506 305 819	1 660 498 671	909	75 596

	Cost							Accumulated Depreciation					Carrying value	Proceeds on Disposals	Gians on Disposals	Loss on Disposals	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed					Closing balance
Total brought over	R 1 882 051 471	R 180 530 878	R -	R 104 203 543	R -0	R -315 117	R 296 518	R 2 166 804 491	R 453 832 372	R -0	R 52 693 459	R 220 012	R 506 305 819	R 1 660 498 671	R 909	-	75 596
OTHER ASSETS																	
Civic Land & Buildings	74 033 899	-	-	-	-	-	-	74 033 899	4 578 981	-	724 220	-	5 303 201	68 730 698	-	-	-
Other Buildings	38 452 067	13 254 363	-	995 097	-	-	9 109	52 692 419	7 133 148	-	950 627	6 983	8 076 792	44 615 627	-	-	2 125
Other Land	128 024 009	-	-	-	-	-	45 000	127 979 009	-	-	-	-	-	127 979 009	52 632	7 632	-
Computers: Hardware & Eqpt	12 756 244	-	-	815 907	-	-	789 401	12 782 751	4 897 843	-	2 153 705	658 213	6 393 335	6 389 416	5 338	1 242	127 092
Furniture & Office Equipment	18 870 503	0	-	2 561 155	-	-	1 032 310	20 399 348	10 409 520	-	1 523 243	830 761	11 102 002	9 297 346	30 939	14 702	185 311
General Vehicles	31 840 133	-	-	3 605 195	-	-	341 539	35 103 789	13 329 921	-	1 918 741	234 871	15 013 790	20 089 999	56 020	11 786	62 435
Plant & Equipment	24 631 988	4 222 825	-	1 264 226	-	-	645 183	29 473 856	13 317 242	-	1 685 012	514 275	14 487 979	14 985 878	19 964	11 552	122 496
Security Measures	4 285 028	653 528	-	485 855	-	-	-	5 424 410	1 842 480	-	441 163	-	2 283 643	3 140 767	-	-	-
Specialised Vehicles	15 194 944	-	-	1 174 770	-	-	-	16 369 714	4 345 915	-	582 259	-	4 928 174	11 441 540	-	-	-
Other Assets	21 502	-	-	-	-	-	-	21 502	19 524	-	598	-	20 121	1 380	-	-	-
Sub-Total	348 110 317	18 130 715	-	10 902 205	-	-	2 862 541	374 280 697	59 874 572	-	9 979 567	2 245 103	67 609 036	306 671 661	164 892	46 913	499 459
Total Property, Plant & Equipment	2 230 161 788	198 661 594	-	115 105 748	-0	-315 117	3 159 059	2 541 085 188	513 706 945	-0	62 673 026	2 465 115	573 914 856	1 967 170 332	165 802	46 913	575 055
INTANGIBLE ASSETS																	
Intangible Assets: Software	835 104	-	-	-	-	-	-	835 104	183 579	-	91 688	-	275 267	559 837	-	-	-
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	835 104	-	-	-	-	-	-	835 104	183 579	-	91 688	-	275 267	559 837	-	-	-
HERITAGE ASSETS																	
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	-	3 397 827	-	-	-	-	-	3 397 827	-	-	-
Heritage Assets: Other	732 769	-	-	-	-	-	-	732 769	-	-	-	-	-	732 769	-	-	-
Heritage Assets: Monuments	95 003	-	-	-	-	-	-	95 003	-	-	-	-	-	95 003	-	-	-
	4 225 599	-	-	-	-	-	-	4 225 599	-	-	-	-	-	4 225 599	-	-	-
INVESTMENT PROPERTIES																	
Investment Property: Buildings	71 412 645	-	-	-	-	-	-	71 412 645	7 677 579	-	936 029	-	8 613 607	62 799 038	-	-	-
Investment Property: Land	563 541 144	-	-	-	-	-	399 673	563 141 471	-	-	-	-	-	563 141 471	1 724 735	1 449 273	124 211
	634 953 789	-	-	-	-	-	399 673	634 554 116	7 677 579	-	936 029	-	8 613 607	625 940 509	1 724 735	1 449 273	124 211
Grant Total Capital Assets	2 870 176 280	198 661 594	-	115 105 748	-0	-315 117	3 558 731	3 180 700 007	521 568 103	-0	63 700 743	2 465 115	582 803 730	2 597 896 277	1 890 536	1 496 186	699 266
INCLUDED ABOVE:																	
Leased Assets:	1 379 644	-	-	-	-	-	115 255	1 264 390	923 266	-	154 011	105 445	971 832	292 558	-	-	9 810
Computer Hardware	935 415	-	-	-	-	-	-	935 415	685 117	-	109 057	-	794 173	141 242	-	-	-
Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Machines	444 229	-	-	-	-	-	115 255	328 974	238 149	-	44 954	105 445	177 659	151 316	-	-	9 810
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land & Buildings (PPE):	1 234 327 245	13 254 363	-	6 714 844	-	-	494 306	1 253 802 146	52 132 089	-	5 735 719	19 149	57 848 660	1 195 953 486	1 777 378	1 456 904	154 684
Land	862 147 380	-	-	-	-	-	444 673	861 702 707	-	-	-	-	-	861 702 707	1 777 366	1 456 904	124 211
Buildings	372 179 865	13 254 363	-	6 714 844	-	-	49 634	392 099 439	52 132 089	-	5 735 719	19 149	57 848 660	334 250 779	11	-	30 473

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

	Cost							Accumulated Depreciation					Carrying value	Proceeds on Disposals	Gains on Disposals	Loss on Disposals
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed	Closing balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE ASSETS																
Elec. Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elec. Reticulation	241 412 682	41 011 411	-	76 165	-	-	9 949	282 490 309	62 672 726	-	5 423 012	2 531	68 093 207	214 397 102	40	7 378
Solid Waste Refuse	16 936 634	-	-	-	-	-519 441	-	17 456 075	13 216 069	-	473 315	-	13 689 384	3 766 691	-	-
Roads, Pavements & Bridges	424 054 230	60 112 951	-	-	-	-	1	484 167 181	79 057 132	-	13 018 232	-	92 075 364	392 091 817	138 596	138 595
Sewerage: Purification	93 326 931	4 415 564	-	-	-	-	1 253	97 741 242	33 641 937	-	1 714 428	1 252	35 355 113	62 386 129	-	1
Sewerage: Reticulation	241 820 856	7 675 186	-	-	-	-	1 622	249 494 420	51 945 503	-	7 021 725	1 544	58 965 684	190 528 736	6	72
Stormwater	104 740 526	-	-	-	-	-	-	104 740 526	15 661 960	-	1 987 587	-	17 649 547	87 090 979	-	-
Street Lighting	3 082 206	-	-	-	-	-	-	3 082 206	425 591	-	144 932	-	570 523	2 511 683	-	-
Water: Dams & Reservoirs	47 844 388	-	-	10 260	-	-	33 425	47 821 223	19 464 962	-	922 360	23 934	20 363 388	27 457 835	-	9 491
Water: Purification	223 567 512	-	-	-	-	-	28 373	223 539 139	32 750 120	-	7 078 618	3 784	39 824 954	183 714 185	741	24 262
Water: Reticulation	148 566 862	19 669 529	-	-	-	-	82 219	168 154 172	45 983 947	-	5 674 136	19 274	51 638 809	116 515 363	0	62 945
Sub-Total	1 545 352 826	132 884 641	-	86 425	-	-519 441	156 841	1 678 686 492	354 819 948	-	43 458 343	52 318	398 225 973	1 280 460 519	139 384	139 009
COMMUNITY ASSETS																
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	889 680	-	-	-	-	-	-	889 680	124 666	-	106 633	-	231 299	658 381	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	31 324 127	-	-	-	-	-	-	31 324 127	2 980 692	-	593 749	-	3 574 441	27 749 685	-	-
Fire, Safety & Emergency	7 280 782	-	-	-	-	-	-	7 280 782	1 142 032	-	269 630	-	1 411 663	5 869 119	-	-
Libraries	9 492 920	-	-	-	-	-	50 978	9 441 942	1 132 451	-	251 302	4 592	1 379 161	8 062 781	-	46 386
Museums & Art Galleries	430 000	-	-	-	-	-	-	430 000	-	-	-	-	-	430 000	-	-
Parks & Gardens	7 063 227	-	-	-	-	-	-	7 063 227	-	-	-	-	-	7 063 227	-	-
Recreational Facilities	49 566 869	-	-	-	-	-	-	49 566 869	10 488 365	-	3 304 413	-	13 792 777	35 774 092	-	-
Social Rental Housing	25 335 517	-	-	-	-	-	-	25 335 517	3 417 497	-	817 494	-	4 234 991	21 100 526	-	-
Sport fields & Stadiums	138 481 901	2 235 864	-	-	-	-1 292 129	-	142 009 894	19 375 888	-	3 070 012	-	22 445 900	119 563 994	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Other	59 093 281	-	-	-	-	-	-	59 093 281	5 247 745	-	1 809 039	-	7 056 784	52 036 497	-	-
Sub-Total	328 958 304	2 235 864	-	-	-	-1 292 129	50 978	332 435 319	43 909 336	-	10 222 273	4 592	54 127 017	278 308 302	-	46 386
Total carried forward	1 874 311 130	135 120 505	-	86 425	-	-1 811 569	207 819	2 011 121 810	398 729 283	-	53 680 616	56 910	452 352 989	1 558 768 821	139 384	150 535

	Cost								Accumulated Depreciation					Carrying value	Proceeds on Disposals	Gians on Disposals	Loss on Disposals
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed	Closing balance				
	R	R	R	R	R	R	R	R	R	R	R	R	R				
Total brought over	1 874 311 130	135 120 505	-	86 425	-	-1 811 569	207 819	2 011 121 810	398 729 283	-	53 680 616	56 910	452 352 989	1 558 768 821	139 384	139 009	150 535
OTHER ASSETS																	
Civic Land & Buildings	72 790 234	-	-	145 838	-	-	-	72 936 072	3 817 271	-	629 832	-	4 447 103	68 488 969	-	-	-
Other Buildings	43 024 642	14 005 890	-	29 121	-	-	-	57 059 653	6 683 066	-	1 467 689	-	8 150 755	48 908 897	-	-	-
Other Land	139 524 009	-	-	-	-	-	11 500 000	128 024 009	-	-	-	-	128 024 009	5 000 000	-	6 500 000	
Computers: Hardware & Eqpt	11 497 501	-	-	3 633 417	-	-	2 563 700	12 567 218	4 949 180	-	2 170 195	1 918 711	5 200 664	7 366 554	2 077	59	642 970
Furniture & Office Equipment	20 178 776	-	-	1 642 910	-	-	1 652 773	20 168 913	9 798 489	-	1 813 553	1 366 787	10 245 255	9 923 658	8 192	1 738	281 060
General Vehicles	29 800 984	-	-	2 062 212	-	-	324 914	31 538 282	11 470 444	-	1 878 890	206 539	13 142 794	18 395 488	115 033	29 077	32 419
Plant & Equipment	20 979 844	18 868 451	-	1 550 711	-	-	573 755	40 825 251	12 809 333	-	1 701 409	445 025	14 065 717	26 759 534	9 534	5 306	124 501
Security Measures	3 917 321	5 810 139	-	26 428	-	-	13 602	9 740 286	1 269 191	-	473 364	6 327	1 736 228	8 004 058	-	-	7 275
Specialised Vehicles	13 597 527	-	-	1 505 117	-	-	-	15 102 644	3 891 160	-	454 755	-	4 345 915	10 756 729	-	-	-
Other Assets	21 502	-	-	-	-	-	-	21 502	17 927	-	1 596	-	19 524	1 978	-	-	-
Sub-Total	355 332 340	38 684 480	-	10 595 754	-	-	16 628 743	387 983 831	54 706 061	-	10 591 284	3 943 389	61 353 955	326 629 875	5 134 836	36 180	7 588 226
Total Property, Plant & Equipment	2 229 643 470	173 804 985	-	10 682 179	-	-1 811 569	16 836 562	2 399 105 641	453 435 344	-	64 271 900	4 000 299	513 706 945	1 885 398 696	5 274 220	175 189	7 738 761
INTANGIBLE ASSETS																	
Intangible Assets: Software	423 816	-	-	458 101	-	-	46 813	835 104	156 699	-	71 576	44 696	183 579	651 525	-	-	2 117
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	423 816	-	-	458 101	-	-	46 813	835 104	156 699	-	71 576	44 696	183 579	651 525	-	-	2 117
HERITAGE ASSETS																	
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	-	3 397 827	-	-	-	-	-	3 397 827	-	-	-
Heritage Assets: Other	732 769	-	-	-	-	-	-	732 769	-	-	-	-	-	732 769	-	-	-
Heritage Assets: Monuments	95 003	-	-	-	-	-	-	95 003	-	-	-	-	-	95 003	-	-	-
	4 225 599	-	-	-	-	-	-	4 225 599	-	-	-	-	-	4 225 599	-	-	-
INVESTMENT PROPERTIES																	
Investment Property: Buildings	71 412 645	-	-	-	-	-	-	71 412 645	6 741 367	-	936 212	-	7 677 579	63 735 067	-	-	-
Investment Property: Land	563 937 570	-	-	-	-	-	396 426	563 541 144	-	-	-	-	-	563 541 144	1 009 553	652 337	39 211
	635 350 215	-	-	-	-	-	396 426	634 953 789	6 741 367	-	936 212	-	7 677 579	627 276 210	1 009 553	652 337	39 211
Grant Total Capital Assets	2 869 643 100	173 804 985	-	11 140 280	-	-1 811 569	17 279 801	3 039 120 133	460 333 409	-	65 279 688	4 044 995	521 568 103	2 517 552 031	6 283 773	827 526	7 780 088
INCLUDED ABOVE:																	
Leased Assets:	3 923 579	-	-	-	-	-	1 804 326	2 119 253	2 082 229	-	635 401	1 278 224	1 439 406	679 848	-	-	526 102
Computer Hardware	3 282 568	-	-	-	-	-	1 630 554	1 652 013	1 722 228	-	571 529	1 111 123	1 182 634	469 379	-	-	519 432
Computer Software	41 477	-	-	-	-	-	41 477	-	39 151	-	1 158	40 309	-0	0	-	-	1 168
Office Machines	599 535	-	-	-	-	-	132 295	467 240	320 851	-	62 714	126 793	256 772	210 468	-	-	5 502
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land & Buildings (PPE):	599 431 912	-	-	174 959	-	-	11 500 001	588 106 870	26 454 936	-	8 038 200	-	34 493 136	553 613 734	5 138 596	138 595	6 500 000
Land	333 127 537	-	-	-	-	-	11 500 001	321 627 536	-	-	-	-	-	321 627 536	5 138 596	138 595	6 500 000
Buildings	266 304 375	-	-	174 959	-	-	-	266 479 334	26 454 936	-	8 038 200	-	34 493 136	231 986 198	-	-	-

17. INTANGIBLE ASSETS

	2017	2016
	R	R
Carrying values at the beginning of the year	651 525	267 117
Cost	835 104	423 816
Accumulated amortisation	(183 579)	(156 699)
Movement in Cost:		
Acquisitions	-	458 101
De-recognition	-	(46 813)
Movement in Accumulated Amortisation:		
Amortisation	(91 688)	(71 576)
Amortisation written back on de-recognition	-	44 696
Carrying values at the end of the year	559 837	651 525
Cost	835 104	835 104
Accumulated amortisation	(275 267)	(183 579)

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 35) in the Statement of Financial Performance.

The Municipality does not have any internally generated intangible assets.

No restrictions are placed on intangible assets.

No intangible assets were pledged as security for liabilities.

Refer to Notes 44.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of Intangible assets.

18. INVESTMENT PROPERTY

	2017	2016
	R	R
Carrying values at the beginning of the year	627 276 210	628 608 848
Cost	634 953 789	635 350 215
Accumulated Depreciation	(7 677 579)	(6 741 367)
Movement in Cost:		
Acquisitions	-	-
De-recognition	(399 673)	(396 426)
Movement in Under Construction:		
Under Construction - Additions	-	-
Movement in Accumulated Depreciation:		
Depreciation	(936 029)	(936 212)
Carrying values at the end of the year	625 940 509	627 276 210
Cost	634 554 116	634 953 789
Accumulated Depreciation	(8 613 607)	(7 677 579)
Amounts included in Surplus/Deficit for the year, are as follows:		
Rental Revenue from Investment Property	1 892 036	1 509 918

Refer to Note 42.5 for details regarding the restatement of previous year balances.

At initial recognition, the Municipality measures Investment Property at cost and the cost model is applied to investment property for subsequent measurement. Under the cost model, Investment Property is carried at its cost minus accumulated depreciation at the reporting date.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of de-

No investment properties were pledged as security for liabilities.

There were no significant delays on projects or any construction halted for the reporting period.

19. HERITAGE ASSETS

	2017	2016
	R	R
Carrying values at the beginning of the year	4 225 599	4 225 599
Cost	4 225 599	4 225 599
<u>Movements:</u>		
None	-	-
Carrying values at the end of the year	4 225 599	4 225 599
Cost	4 225 599	4 225 599

The following Heritage Assets were identified, but no value could be provided due to impracticability:

Site 3419, Mossel Bay - Cave at the point

The Cape st. Blaize Cave at the point in Mosselbay, situated on site 3419, is classified as a heritage asset controlled and owned by the Municipality. The Cape st. Blaize Cave yield artefacts dating back 80 000 years. The artefacts themselves are housed at the Culture Museum which is not controlled or owned by the Municipality.

Sites 7357 en 2938, Mossel Bay - Harry Giddey

The Harry Giddey Park on site 2938 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victoria of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Ba, for all the efforts to upgrade the park.

There is no restrictions on title and disposal of heritage assets and no heritage assets are pledged as securities.

20. LONG-TERM RECEIVABLES

	2017	2016
	R	R
Long-term receivables:	1 434 770	1 647 076
Study Loans	140 460	133 335
Land Sales Debtors	12 208	13 921
Public Assistance Loans	47 070	70 333
Housing Selling Scheme Loans	1 235 032	1 429 486
Less: Current portion transferred to current receivables	336 681	360 849
Land Sales Debtors	3 049	3 159
Public Assistance Loans	28 351	44 505
Housing Selling Scheme Loans	305 280	313 185
Less: Provision for Debt Impairment of long-term receivables	284 371	978 734
Housing Selling Scheme Loans	284 371	978 734
Total	813 719	307 493
Reconciliation of Debt Impairment of Long-term receivables	2017	2016
	R	R
Balance at beginning of year	978 734	1 296 493
Contribution to / (Reversal from) provision	(694 363)	(317 758)
Bad Debts written off / recovered	-	-
Balance at end of year	284 371	978 734

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa. A payment percentage of 80 % was established and a provision for debt impairment was made for 20%.

No provision for debt impairment to be recognised for study and public assistance loans.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of between 12% and 15% per annum. The last repayment is in September 2018.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

21. INVENTORY

	2017	2016
	R	R
Consumable stores	1 453 441	629 652
Maintenance materials	7 525 692	7 995 246
Meters	339 276	338 913
Spare parts	188	188
Housing Topstructures	9 301 163	1 244 081
Unsold property held for resale	6 063 851	10 347 679
Purification Materials	2 160 996	1 320 959
Water purification	431 055	215 397
Total inventory	27 275 661	22 092 115

Inventory to the value of R150 166 (R782 217 in 2015/16) was written off during the financial year. R 735 896 of this total is redundant inventory which was sold at an auction.

Housing topstructure inventory relates to various housing projects including the Azizani/Zinyoka housing project, Herbertsdale 154 Topstructures and Sonskynvallei projects and housing emergency kits for which Mossel Bay Municipality is the appointed developer.

Refer to Note 42.8 for details regarding the restatement of previous year balances.

All inventory for the current year are carried at cost.

22. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2017

	Gross Balances	Provision for Debt Impairment	Net Balance
	R	R	R
Service debtors	59 096 621	7 538 768	51 557 853
Electricity	33 692 945	1 732 272	31 960 673
Water	16 539 022	3 417 995	13 121 027
Refuse	3 128 317	322 088	2 806 228
Sewerage	5 736 337	2 066 413	3 669 925
Debtback Collections	1 212 284	1 208 497	3 787
Land Sales	7 768	5 607	2 161
Housing Instalments	1 040 157	299 717	740 439
Housing rentals	130 014	100 320	29 694
Other	8 113 465	1 631 027	6 482 438
Total	69 600 310	10 783 937	58 816 373

As at 30 June 2016

Service debtors	57 118 451	6 693 215	50 425 236
Electricity	34 592 461	1 902 697	32 689 764
Water	14 439 640	2 322 663	12 116 977
Refuse	2 721 774	331 946	2 389 828
Sewerage	5 364 576	2 135 909	3 228 668
Debtback Collections	1 328 914	1 325 852	3 062
Land Sales	6 489	316	6 173
Housing Instalments	999 171	49 536	949 635
Housing rentals	166 631	114 213	52 418
Other	3 710 676	973 189	2 737 487
Total	63 330 333	9 156 322	54 174 011

Electricity, Water, Refuse and Sewerage): Ageing

	2017	2016
	R	R
Current (0 -30 days)	49 163 190	48 275 333
31 - 60 Days	973 827	909 573
61 - 90 Days	737 455	703 799
91 - 120 Days	614 824	543 920
121- 365 Days	804 146	838 119
> 365 Days	6 803 179	5 847 707
Total	59 096 621	57 118 451

Service debtors receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R48 823 082 (2015/16 = R46 697 344) and for more than 30 days is R2 734 771 (2015/16 = R3 427 892).

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	2017 R	2016 R
Debtpack Collections		
Current (0 -30 days)	3 787	2 997
31 - 60 Days	-	-
61 - 90 Days	-	65
91 - 120 Days	-	95
121- 365 Days	183 024	278 590
> 365 Days	1 025 473	1 047 167
Total	1 212 284	1 328 914

Debtpack collection receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R3 787 (2015/16 = R2 997) and for more than 30 days is Rnil (2015/16 = R65).

	2017 R	2016 R
Housing Instalments		
Current (0 -30 days)	29 391	30 715
31 - 60 Days	12 352	13 199
61 - 90 Days	12 056	12 890
91 - 120 Days	11 839	12 745
121- 365 Days	23 315	116 156
> 365 Days	951 203	813 466
Total	1 040 157	999 171

Housing instalments receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R29 391 (2015/16 = R30 715) and for more than 30 days is R711 047 (2015/16 = R918 920).

	2017 R	2016 R
Housing rentals: Ageing		
Current (0 -30 days)	7 445	8 453
31 - 60 Days	2 379	3 206
61 - 90 Days	2 153	2 913
91 - 120 Days	2 057	2 698
121- 365 Days	3 958	3 438
> 365 Days	112 023	145 923
Total	130 014	166 631

Housing rentals receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R5 956 (2015/16 = R3 425) and for more than 30 days is R23 739 (2015/16 = R48 993).

	2017 R	2016 R
Other		
Current (0 -30 days)	6 258 345	2 326 533
31 - 60 Days	133 156	278 686
61 - 90 Days	56 722	118 824
91 - 120 Days	42 910	76 801
121- 365 Days	141 190	58 842
> 365 Days	1 481 143	850 989
Total	8 113 465	3 710 676

Other receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R4 500 310 (2015/16 = R2 326 533) and for more than 30 days is R NIL (2015/16 = R410 953).

	2017 R	2016 R
Land Sales		
Current (0 -30 days)	779	724
31 - 60 Days	258	196
61 - 90 Days	138	84
91 - 120 Days	125	84
121- 365 Days	186	67
> 365 Days	6 281	5 334
Total	7 768	6 489

Land sales receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R779 (2015/16 = R724) and for more than 30 days is R1 382 (2015/16 = R5 448).

	2017 R	2016 R
<u>Reconciliation of Provision for debt impairment of receivables</u>		
Balance at beginning of year	9 156 322	32 080 896
Contribution to / (Reversal from) provision	3 946 733	7 967 268
Bad Debts written off / recovered	(2 319 118)	(30 891 842)
Balance at end of year	10 783 937	9 156 322
	2017 R	2016 R
<u>Summary of Receivables by Consumer Classification</u>		
Residential	49 092 494	36 948 393
Industrial / Commercial	15 522 994	14 901 064
National / Provincial government	2 388 088	1 740 212
Other	2 596 734	9 740 663
	69 600 310	63 330 333

Refer to Note 42.7 for details regarding the restatement of previous year balances.

23. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 R	2016 R
Other Receivables from Non-Exchange transactions:	80 458 998	61 502 797
Rates	10 932 086	9 861 924
Traffic Fines	63 692 580	45 885 979
Payments made in advance	2 826 572	2 491 477
Government subsidies	128 834	128 834
Other	2 803 282	3 134 582
Recoverable Expenditure	75 644	-
	62 700 137	46 388 284
Less: Provision for debt impairment of other receivables		
Rates	4 623 259	4 383 382
Other	1 982 128	-
Traffic Fines	56 094 750	42 004 903
Total	17 758 861	15 114 512

The accumulated fines issued and not paid, including the current year, amounted to R63 692 580. The outstanding fines was assessed for impairment based on the present value of future cash flows of fines issued. R46 094 750 was provided as bad debt.

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for debt impairment. However the "Other Debtors" are individually assessed.

Provision for debt impairment is made for the debtor created for funds outstanding from LGSETA, Rates Debtors and Traffic Fines.

	2017 R	2016 R
<u>Rates: Ageing</u>		
Current (0 -30 days)	5 622 431	5 025 933
31 - 60 Days	254 561	224 015
61 - 90 Days	192 925	187 976
91 - 120 Days	162 600	163 491
121- 365 Days	279 115	277 762
> 365 Days	4 420 455	3 982 746
Total	10 932 086	9 861 924

Rates receivables that are past due as at the end of 2016/17 but not impaired, for less than 30 days is R5 622 431 (2015/16 = R5 025 933) and for more than 30 days is R686 397 (2015/16 = R452 609).

	2017 R	2016 R
<u>Reconciliation of Provision for debt impairment of other receivables</u>		
Balance at beginning of year	46 388 284	35 647 251
Contribution to / (Reversal from) provision	16 798 936	14 714 625
Bad Debts written off / recovered	(487 083)	(3 973 591)
Balance at end of year	62 700 137	46 388 284
	2017 R	2016 R
<u>Summary of Rates by Consumer Classification</u>		
Residential	7 869 795	6 869 986
Industrial / Commercial	1 944 655	2 315 417
National / Provincial government	404 358	350 357
Other	713 277	326 164
	10 932 086	9 861 924

Refer to Note 42.2 for details regarding the restatement of previous year balances.

24. INVESTMENTS

	2017	2016
	R	R
Long-term Deposits : Other bodies	3 898 052	4 433 619
Less: Payment to other bodies	(3 898 052)	(4 433 619)
Long-term Investments	24 000 000	12 000 000
	<u>24 000 000</u>	<u>12 000 000</u>

No investments were written off during the year.

The average rate of return on Long-term Investments were 10.65% for the year ended 30 June 2017.

Refer to Note 42.7 for details regarding the restatement of previous year balances.

Investments are made in accordance with the Municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- Council's total investment portfolio be invested with banks according to investment policy
- Not more than 50% of the total investments invested with one institution

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefore has no impact on the Municipality's Statement of Financial Position.

25. CASH AND CASH EQUIVALENTS

	2017	2016
	R	R
Assets		
Petty Cash	19 060	18 460
Cash book balance	16 177 119	8 985 565
Short-term Investment deposits	401 146 276	339 005 350
Total cash and cash equivalents - Assets	<u>417 342 456</u>	<u>348 009 376</u>
Liabilities		
Bank overdraft (as per Cash book balance)	-	-
Total cash and cash equivalents - Liabilities	<u>-</u>	<u>-</u>

The municipality has the following bank accounts:

<u>BANK ACCOUNT</u>	<u>Account Numbers</u>		
Primary Bank Account - NEDBANK CHEQUE ACCOUNT	1134644809	141 237	-
Primary Bank Account - STANDARD BANK CHECQUE ACCOUNT	82846979	11 138 440	4 389 210
Secondary Bank Account - STANDARD BANK DEPOSIT ACCOUNT	82846936	-	-
Traffic Bank Account - STANDARD BANK	300965338	(4)	290
		<u>11 279 672</u>	<u>4 389 500</u>

	2017	2016
	R	R
Bank statement balance at beginning of year	4 389 500	26 815 947
Bank statement balance at end of year	<u>11 279 672</u>	<u>4 389 500</u>
Cash book balance at beginning of year	8 985 565	29 135 673
Cash book balance at end of year	<u>16 177 119</u>	<u>8 985 565</u>
Petty Cash / Float at beginning of year	18 460	18 960
Petty Cash / Float at end of year	<u>19 060</u>	<u>18 460</u>
INVESTMENTS: Current portion matures within next 12 months - Refer Note 24	<u>401 146 276</u>	<u>339 005 350</u>

All accounts are with STANDARD BANK. The balance of account no. 82846936 - deposit account and account no. 300965338 - Account for Traffic fines, is swept to the cheque account daily - Primary bank account no. 82846979

The average rate of return on Short-term Investments were 8.15% for the year ended 30 June 2016.

No cash and cash equivalents were pledged as security for liabilities.

No restrictions were placed on the use of cash and cash equivalents.

Refer to Note 42.7 for details regarding the restatement of previous year balances.

26. OPERATING LEASES

26.1 The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to ten years, with an option to extend for a further period. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the

Statement of Financial Position:

Balance at beginning of year

Movement for the year

Total Operating Lease Liabilities - as lessee

2017	2016
R	R
1 345 487	1 053 023
327 927	292 464
1 673 415	1 345 487

The following payments have been recognised as an expenditure in the Statement of Financial Performance:

Lease payments

Total Operating Lease payments - as lessee

2017	2016
R	R
2 405 907	2 207 654
2 405 907	2 207 654

At the reporting date the Municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Buildings

Up to 1 year

1 to 5 years

More than 5 years

Total Operating Lease arrangements - as lessee

2017	2016
R	R
2 593 725	2 180 478
10 898 263	9 525 263
3 708 162	2 621 180
17 200 150	14 326 921

Refer to Note 45.2 for details regarding the restatement of comparative information.

26.2 The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to thirty years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the

Statement of Financial Position:

Balance at beginning of year

Movement for the year

Total Operating Lease Assets - as lessor

2017	2016
R	R
182 106	225 977
12 365	(43 870)
194 471	182 106

The following receipts have been recognised as an income in the Statement of Financial Performance:

Lease income

Total Operating Lease income - as lessor

2017	2016
R	R
1 892 036	1 509 918
1 892 036	1 509 918

At the reporting date the Municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

Investment Property

Up to 1 year

1 to 5 years

More than 5 years

Total Operating Lease arrangements - as lessor

2017	2016
R	R
2 980 694	636 214
9 587 437	1 259 698
38 328 716	838 146
50 896 847	2 734 058

The reason for the increase in lease receipts receivable in future years is mainly due to a contract for the lease of the Santos/De Bakke resort.

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Refer to Note 45.2 for details regarding the restatement of comparative information.

27. PROPERTY RATES

	2017	2016
<u>Actual</u>	R	R
Residential	84 030 541	75 901 438
Commercial	24 226 784	21 123 150
State	444 722	440 856
Building Clause	-	14 042
Assessment Rate: Letting	1 298	1 298
Agricultural	1 128 037	1 043 139
Special Rated Area - CID	568 747	523 167
Less: Income forgone	(6 262 690)	(4 410 708)
Total assessment rates	104 137 439	94 636 383

	July 2017	July 2016
<u>Valuations</u>		
Residential	28 078 686 660	27 198 178 370
Commercial	3 814 720 800	3 886 491 840
State	563 647 400	580 574 400
Municipal	693 463 400	641 939 600
Parsonage	81 971 700	81 739 700
Public Services Infrastructure - Private	24 025 000	28 019 500
Public Open Space	7 223 400	7 114 100
Protected Area	4 220 000	4 220 000
Churches	170 392 900	162 896 900
Agricultural	1 465 039 500	1 463 664 500
Total property valuations	34 903 390 760	34 054 838 910

The valuation of land takes place every four years in terms of the determinations of the Municipal Property Rates Act, No.6 of 2004. The basic rate for land and buildings ranged between R0,000772 and R0,006178 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R5 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

Refer to Note 42.2 for details regarding the restatement of previous year balances.

28. SERVICE CHARGES

	2017	2016
	R	R
Sale of electricity	358 065 421	337 893 692
Sale of water	100 915 201	91 422 979
Refuse removal	37 296 821	35 738 809
Sewerage & sanitation charges	48 669 021	49 686 152
Total service charges	544 946 464	514 741 631

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue foregone.

29. GOVERNMENT GRANTS AND SUBSIDIES

	2017	2016
	R	R
<u>Unconditional grants</u>	70 822 505	63 673 000
Equitable share	70 822 505	63 673 000
<u>Conditional grants</u>	74 696 397	72 945 205
National Government Grants	35 835 915	43 302 287
Provincial Government Grants	38 147 143	27 406 160
District Municipality	18 729	1 371 516
Main Road Subsidy - Provincial	59 000	34 519
Other Grants	635 609	830 723
Total Government Grants & Subsidies	145 518 902	136 618 205

	2017	2016
	R	R
29.1 Summary of Government Grants & Subsidies		
Capital Government Grants & Subsidies	42 378 626	57 833 918
Operating Government Grants & Subsidies	103 140 276	78 784 287
Total	145 518 902	136 618 205

	2017 R	2016 R
29.2 <u>Equitable Share</u>		
Balance unspent at beginning of year	-	-
Current year receipts	70 874 000	63 673 000
Adjustments	(51 495)	-
Conditions met - transferred to revenue	(70 822 505)	(63 673 000)
Conditions still to be met - transferred to liabilities (see note 13)	-	-

	2017 R	2016 R
29.3 <u>National Government Grants</u>		
Balance unspent at beginning of year	(2 296 609)	6 719 679
Current year receipts	38 132 523	34 285 999
Adjustments	-	-
Conditions met - transferred to revenue	(35 835 915)	(43 302 287)
Conditions still to be met - transferred to liabilities (see note 13)	(0)	(2 296 609)

Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Municipal Infrastructure Grant. National Grants also include Finance Management Grant and EPWP funding. Other than the amounts unspent, the conditions of the grants have been met. MIG funds were delayed during the year, but received the next quarter.

	2017 R	2016 R
29.4 <u>Provincial Government Grants</u>		
Balance unspent at beginning of year	20 081 725	27 092 658
Current year receipts	55 836 360	20 395 227
Adjustments	-	-
Conditions met - transferred to revenue	(38 147 143)	(27 406 160)
Conditions still to be met - transferred to liabilities (see note 13)	37 770 941	20 081 725

Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Human Settlements grant, Library services, Thusong Centre Grant, Greenest Town and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

Refer to Note 42.4 for details regarding the restatement of previous year balances.

	2017 R	2016 R
29.5 <u>District Municipality</u>		
Balance unspent at beginning of year	18 729	(155 677)
Current year receipts	-	1 545 922
Adjustments	-	-
Conditions met - transferred to revenue	(18 729)	(1 371 516)
Conditions still to be met - transferred to liabilities (see note 13)	0	18 729

Mossel Bay Municipality received grants from Eden District Municipality for operational and capital disaster recovery projects. Other than the amounts unspent, the conditions of the grants have been met.

	2017 R	2016 R
29.6 <u>Main Roads Subsidy</u>		
Balance unspent at beginning of year	-	-
Current year receipts	59 000	34 519
Conditions met - transferred to revenue	(59 000)	(34 519)
Conditions still to be met - transferred to liabilities (see note 13)	-	-

	2017 R	2016 R
29.7 <u>Other Grants</u>		
Balance unspent at beginning of year	-	-
Current year receipts	134 333	-
Adjustments	501 277	830 723
Conditions met - transferred to revenue	(635 609)	(830 723)
Conditions still to be met - transferred to liabilities (see note 13)	-	-

The Municipality received funds for training from LGSETA. Other than the amounts unspent, the conditions of the grants have been met. The amount disclosed under "Adjustments" above is for an increase in the debtor created for outstanding funds. This debtor amounts to R1 738 709 as at 30 June 2017 for LGSETA.

	2017 R	2016 R
29.8 <u>Government Grants and Subsidies - SPENT PER VOTE</u>		
Municipal Manager	-	-
Corporate Services	734 756	1 072 723
Financial Services	3 026 213	4 060 040
Technical Services	37 597 127	40 302 459
Community Services	10 878 406	6 474 640
Development & Planning	22 459 895	21 035 344
Total Spent	74 696 397	72 945 205

30. OTHER INCOME	2017	2016
	R	R
Building Plan Fees	5 698 076	5 155 202
Availability Fees (Services)	17 394 486	17 283 852
Land Usage Fees	1 318 772	840 827
Contributions from External Services	7 512 760	5 361 570
Contributions from Land Sales	1 111 287	1 638
Insurance Claims	840 005	839 279
Extension Costs - Waterworks	250 734	204 210
Reversal of Asset Impairment	315 117	1 811 569
Sale of Redundant Inventory	735 896	369 045
Tampering with Installations	48 122	170 177
Unclaimed Retention Money	1 020 061	78 366
Unclaimed Deposits	462 512	5 864 934
Cemetery Fee - Burials	184 712	308 844
Pound Fees	90 529	149 910
Collection costs recovered	1 913 249	2 736 065
Other	4 263 899	4 552 263
Total other income	43 160 218	45 727 754
31. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE	2017	2016
	R	R
Developers Contributions	-	-
Public Contributions	2 138 118	1 056 911
Donated and Contributed PPE	9 296 697	6 916 943
Connection Fees	3 143 991	2 933 086
Other	-	-
Total public contributions	14 578 806	10 906 940
31.1 Summary of Public contributions	2017	2016
	R	R
Capital Public contributions, Donated and contributed PPE	9 596 697	7 180 920
Operating Public contributions	4 982 109	3 726 020
Total	14 578 806	10 906 940
31.2 Developers Contributions	2017	2016
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 13)	-	-
31.3 Public Contributions	2017	2016
	R	R
Balance unspent at beginning of year	437 549	101 875
Current year receipts	1 892 926	1 384 549
Adjustments	-	8 035
Conditions met - transferred to revenue	(2 138 118)	(1 056 911)
Conditions still to be met - transferred to liabilities (see note 13)	192 356	437 549
Mossel Bay Municipality received various public contributions for operational projects, such as the Diaz Festival, Sport Festival and the Mayor's Relief Charitable Fund. The municipality also received funds for capital projects, namely the building of parking area at the Mossel Bay Golf club.		
31.4 Donated and Contributed Property, Plant and Equipment	2017	2016
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	9 296 697	6 916 943
Adjustments	-	-
Conditions met - transferred to revenue	(9 296 697)	(6 916 943)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
Mossel Bay Municipality received donated ICT computer equipment and infrastructure assets, such as the Siyanithanda building which was donated by PetroSA to the Municipality, Youth café building and equipment, Electrical reticulation services and the Chreche in Wolwedans.		

	2017 R	2016 R
31.5 Public contributions, Donated and Contributed PPE - PER VOTE		
Municipal Manager	332 123	294 451
Corporate Services	8 637 639	6 018 635
Financial Services	-	-
Technical Services	2 059 790	841 225
Community Services	105 263	644 544
Development & Planning	300 000	175 000
Total Spent	11 434 815	7 973 854

	2017 R	2016 R
32. EMPLOYEE RELATED COSTS		
Employee-related costs - Salaries, Wages & Bonuses	162 547 667	152 986 539
Employee-related costs - Contributions for UIF, pensions & medical aids	39 006 235	36 349 905
Contributions to Post Retirement Benefits Provision	11 706 000	10 987 000
Contributions to Long Service Bonus Provision	2 444 000	2 425 000
Contributions to Leave Gratuity Provision	2 009 594	1 914 540
Travel, motor car, accommodation, subsistence & other allowances	14 703 475	13 889 702
Housing benefits & allowances	1 645 913	1 604 220
Overtime payments	10 842 901	9 473 835
Executive packages	-	47 631
Less: Employee costs capitalised	(1 251 163)	(929 275)
Total employee-related costs	243 654 622	228 749 097

Refer to Note 45.1 for details regarding the restatement of comparative information.

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

	2017 R	2016 R
Remuneration of the Municipal Manager		
Annual remuneration	439 877	1 125 445
Performance bonuses	-	-
Car allowance	70 000	110 000
Contributions to UIF, Medical & Pension Funds	80 219	204 067
Acting allowance	197 010	-
Industrial Council	54	73
Severance package	-	611 978
Total	787 160	2 051 563

	2017 R	2016 R
Remuneration of the Chief Financial Officer		
Annual remuneration	966 239	906 568
Performance bonuses	164 307	69 582
Car allowance	102 000	102 000
Contributions to UIF, Medical & Pension Funds	175 708	164 968
Acting allowance	2 437	-
Industrial Council	92	87
Total	1 410 783	1 243 205

	<u>Technical + Electricity Services</u> R	<u>Dev planning & Housing</u> R	<u>Corporate Services</u> R	<u>Community Services</u> R
Remuneration of individual executive 30 June 2017				
Annual remuneration	1 173 852	956 533	956 038	791 682
Performance bonuses	118 027	101 739	97 763	-
Acting allowance	-	-	19 933	-
Car allowance	102 000	108 000	120 000	120 000
Contributions to UIF, Medical & Pension Funds	219 481	224 886	162 580	169 999
Group Insurance	6 480	-	5 328	-
Industrial Council	92	92	92	92
Total	1 619 932	1 391 250	1 361 735	1 081 773

Remuneration of individual executive 30 June 2016	Technical + Electricity Services R	Dev planning & Housing R	Corporate Services R	Community Services R
Annual remuneration	1 102 297	896 656	887 096	234 358
Performance bonuses	110 306	96 765	91 008	-
Acting allowance	-	-	15 252	-
Car allowance	102 000	108 000	120 000	30 984
Contributions to UIF, Medical & Pension Funds	206 028	216 110	161 111	44 070
Group Insurance	6 480		5 328	
Industrial Council	87	87	87	29
Total	1 527 198	1 317 618	1 279 882	309 441

33. REMUNERATION OF COUNCILLORS

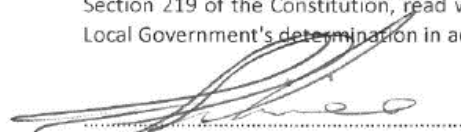
	2017 R	2016 R
Executive Mayor	697 057	704 375
Executive Deputy Mayor	613 844	567 955
Speaker	536 500	627 278
Mayoral Committee members	2 670 192	2 738 694
Councillors	4 744 749	4 595 426
Councillors' pension contributions	415 429	414 415
Councillors' medical contributions	108 532	64 981
Travel Cost in Excess of 500km	-	-
Total Councillors' remuneration	9 786 303	9 713 125

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers. Ward Committee members are equipped with cell phones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

34. DEBT IMPAIRMENT COSTS

	2017 R	2016 R
Contribution to Provision for Debt Impairment:	20 384 942	28 025 300
- Rates	412 998	-
- Electricity	-	-
- Water	2 222 877	2 942 589
- Refuse	173 954	1 885 354
- Sewerage	427 635	5 529 915
- Traffic fines	14 403 809	16 586 370
- Collection fees	129 418	663 445
- Housing Installments	219 188	-
- Housing rentals		197 318
- Land sales	4 641	-
- Sundry Debtors	651 713	220 310
- Long-term receivables		-
- Other receivables	1 738 709	-
Bad Debts : Services	-	-
Total debt impairment costs	20 384 942	28 025 300

35. DEPRECIATION AND AMORTISATION EXPENSE

	2017	2016
	R	R
<u>Depreciation:</u>		
Property, Plant and Equipment	62 673 026	64 272 971
Investment Property	936 029	936 212
 <u>Amortisation:</u>		
Intangible Assets	91 688	71 576
Total Depreciation and Amortisation costs	63 700 743	65 280 760

Refer to Note 42.3 for details regarding the restatement of previous year balances.

36. FINANCE COSTS

	2017	2016
	R	R
Finance Leases	56 310	114 922
Other Long-term Liabilities	2 778 192	2 394 189
Landfill Sites	4 258 032	3 544 195
Current Deposit / Grants	72 366	103 015
Total interest	7 164 900	6 156 320

Refer to Note 42.1 for details regarding the restatement of previous year balances.

37. BULK PURCHASES

	2017	2016
	R	R
Electricity	265 328 216	244 325 988
Water	11 614 545	9 341 493
Total bulk purchases	276 942 760	253 667 481

Bulk purchases are the cost of commodities not generated by the Municipality, but which the Municipality distributes to consumers. The Municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The Municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

38. CONTRACTED SERVICES

	2017	2016
	R	R
Account Print	258 574	267 273
AMR System	407 716	549 035
Cash Transit	223 595	240 508
CID	484 969	487 906
Cleansing Services	297 118	6 124 212
Cut of Grass	10 657 266	4 648 707
Fire Services	81 780	-
Gardening Services	79 282	71 200
Info System Maintenance	937 903	475 947
Internal Auditors	1 078 337	1 917 445
Life Saving	1 501 335	1 481 285
Meter Readings	1 391 062	1 279 759
Prepaid System	8 075 546	7 631 269
Refuse Recycling	640 456	357 552
Refuse Removal	4 779 760	4 721 603
Reverse Osmosis Plant	650 365	526 183
Sanitation Services	1 550 379	2 193 715
Security Services	3 912 065	3 289 981
Transport Co.	362 149	335 990
Additional Valuations	157 663	231 800
Washing Linen	25 803	21 465
Concessionary Fees- Indigent	498 032	272 581
Desalination plant	-	1 320 229
Total Contracted services	38 051 154	38 445 644

39. GRANTS AND SUBSIDIES PAID

	2017	2016
	R	R
Subsidy: Benefit Discount Scheme	241 854	247 087
SPCA	800 000	721 287
Grants & Donations - Municipal	-	40 977
Other Donations	100 944	155 000
Total grants & subsidies	1 142 798	1 164 351

Other Donations:

During 2016/17 Other Donations were made to the amount of R100 944, whereas an amount of R155 000 was donated during 2015/16. Of the R100 944 Other Donations, R 13 944 was donated to the Mossel Bay Care Centre, R 25 000 to the Education and Training Hub, R 27 000 to ACVV Kenani and R35 000 to the Piet Julies Action Group.

Grants & Donations - Municipal:

Mossel Bay Municipality has agreed to provide assistance to Oudtshoorn Municipality during the 2015/16 financial year of which the donated amount is given in note above.

40. GENERAL EXPENSES

	2017	2016
	R	R
Audit Fees - External Auditors	3 602 078	3 172 092
Bank Charges	1 268 615	1 866 120
Conferences & Seminars	23 732	35 408
Consultant Fees	4 566 753	4 730 770
Contract Work	8 992 730	8 200 367
Contributions to Alien Vegetation Provision	4 838 284	7 185 028
Desalination Plant	3 631 034	727 019
Energy Efficiency Projects	-	458 800
Entertainment - Public	39 154	13 219
Fuel & Oil	7 219 020	6 314 167
Hire Charges	277 271	261 835
Housing: Top Structures	13 064 485	13 790 678
Industrial & Tourism - Sect. 21 Co	2 143 881	2 140 775
Insurance	2 349 612	1 889 971
Inventory Items	2 275 268	116 975
Lease Charges	2 611 352	2 476 267
Legal Costs	873 590	1 908 036
Levy - Bargaining Council	87 375	75 320
Levy - Skills Development (SETA)	1 958 886	1 874 575
Levy - Water : DWAF	249 611	355 643
Levy-Water Catchmt Man:DWAF	849 034	624 199
Licence Fees	311 350	368 605
Materials and Stores	11 127 199	11 383 546
Processing of Green waste	654 780	1 403 084
Public Functions	389 623	470 673
Refuse Tip Site - External	4 588 849	2 726 931
Relief / Charitable Expenses	212 480	197 103
Telephones and Communications	1 325 086	1 530 841
Travelling & Subsistence	677 528	523 287
Water Rural Areas	50 927	144 097
Advertising	998 652	1 100 519
Postage, Rev Stamps & PO Box	889 776	963 519
Bush & Weed Clearing	727 885	909 754
Pest Control	230 972	129 196
Printing & Stationary	1 110 087	1 244 514
Refuse Bags	2 342 496	1 696 251
Subscriptions	2 519 870	2 504 804
Other	9 509 061	7 631 729
Less:	(1 204 580)	(1 610 288)
Vehicle and Equipment Recoveries	(43 258)	(48 197)
Recoverable Expenditure	(1 161 322)	(1 562 091)
	97 383 807	91 535 428

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable.

Refer to Note 42.6 for details regarding the restatement of previous year balances.

41. REPAIRS AND MAINTENANCE	2017	2016
<u>Per municipal vote:</u>		
Municipal Manager & Executive Council	16 728	30 732
Corporate Services	3 685 856	3 812 757
Financial Services	482 280	806 157
Technical Services	16 525 668	18 061 106
Community Services	8 309 455	6 938 321
Development and Planning	22 692 166	21 401 370
Total Fair Value adjustments	51 712 154	51 050 444

42. PRIOR YEAR ADJUSTMENTS

42.1 FINANCE LEASES (Note 4) & FINANCE COSTS (Note 36)

Adjustment of finance lease register with regards to computer leases where computers were computer was stolen.

Changes to Notes to Annual Financial Statements:

Finance Lease Liability (Note 4):

Balance at 30 June 2016 on 2015/16 Financial Statements	2016 R 332 280
Correction of Computer lease register - prior years	(59 422)
Correction of Computer lease register - previous year	(80 375)
Restated balance as at 30 June 2016	<u>192 483</u>

Finance Costs - "Finance leases" (Note 36):

Balance at 30 June 2016 on 2015/16 Financial Statements	R 195 297
Correction of Computer lease register - previous year	(80 375)
Restated balance as at 30 June 2016	<u>114 922</u>

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.2 PROPERTY RATES (Note 27) & OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Note 23)

Various corrections on Property Rates debtors was made during the year under review, which relates to the previous year.

Changes to Notes to Annual Financial Statements:

Other Receivables from Non-exchange transactions - "Property Rates" (Note 23):

Balance at 30 June 2016 on 2015/16 Financial Statements	2016 R 10 100 316
Correction of Property Rates - previous year	(238 393)
Restated balance as at 30 June 2016	<u>9 861 924</u>

Property Rates (Note 27)

Balance at 30 June 2016 on 2015/16 Financial Statements	94 874 776
Correction of Property Rates - previous year	(238 393)
Restated balance as at 30 June 2016	<u>94 636 383</u>

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.3 PROPERTY, PLANT & EQUIPMENT (Refer Note 15), DEPRECIATION EXPENSE - "Property, Plant and Equipment" (Refer Note 35) & LOSS ON DE-RECOGNITION OF ASSETS (Refer Financial Performance - Expenditure)

Various projects was undertaken during the financial year that lead to corrections of comparative figures. These projects include the asset count, review of useful lives, unbundling of assets and new assets found during the year.

Changes to Notes to Annual Financial Statements:

Property, Plant & Equipment (Note 15):

Balance at 30 June 2016 on 2015/16 Financial Statements

Adjustments to "Cost":

Recognition of property identified with reconciliation of asset register	46 845 500
Assets requiring further unbundling - Road infrastructure - Prior years	(184 347 840)
Assets requiring further unbundling - Stormwater infrastructure - Prior years	(101 546)
Assets requiring further unbundling - Community assets - Prior years	(29 500)
Assets requiring further unbundling - Road infrastructure - Prior years (asset brought back)	184 478 886
Reversal of disposal of asset 40624	2 600
Walkway point asset recognition	660 466
Wolwedans extension: land rehabilitation and retaining walls shifted to operating expenditure	(7 049 310)
Capital Spares replace of mixer mototrs shifted to operating expenditure	(313 143)
Wolwedans extension: land rehabilitation and retaining walls shifted to operating expenditure	(1 254 324)
Sonskynvallei/Powertown relocation shifted to operating expenditure	(2 078 690)

Adjustments to "Accumulated Depreciation":

Assets requiring further unbundling - Road infrastructure - Prior years	62 696 427
Assets requiring further unbundling - Stormwater infrastructure - Prior years	3 447
Assets requiring further unbundling - Community assets - Prior years	6 435
Assets requiring further unbundling - Road infrastructure - Previous year	6 119 086
Assets requiring further unbundling - Stormwater infrastructure - Previous year	3 392
Assets requiring further unbundling - Community assets - Previous year	1 359
Assets requiring further unbundling - Road infrastructure - Prior years (asset brought back)	(46 279 671)
Assets requiring further unbundling - Road infrastructure - Previous year (asset brought back)	(5 796 838)
Reversal of disposal of asset 40624	(1 072)
Walkway point asset recognition - Accumulated depreciation	(1 161 304)
Walkway point asset recognition - Depreciation previous year	(20 204)
Restated balance as at 30 June 2016	1885 398 695

Depreciation and Amortisation Expense - "Property, Plant and Equipment" (Note 35):

Balance at 30 June 2016 on 2015/16 Financial Statements	64 578 695
Assets requiring further unbundling - Road infrastructure - Previous year	-6 119 086
Assets requiring further unbundling - Stormwater infrastructure - Previous year	-3 392
Assets requiring further unbundling - Community assets - Previous year	-1 359
Assets requiring further unbundling - Road infrastructure - Previous year (asset brought back)	5 796 838
Reversal of disposal of asset 40624	1 072
Walkway point asset recognition - Depreciation previous year	20 204
Restated balance as at 30 June 2016	64 272 971

Changes directly to statement of financial performance:

Loss on de-recognition of Assets (Financial Performance - Expenditure):

Balance at 30 June 2016 on 2015/16 Financial Statements	8 511 895
Reversal of disposal of asset 40624	(2 600)
Restated balance as at 30 June 2016	8 509 295

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.4 GOVERNMENT GRANTS AND SUBSIDIES (Note 29)

Derecognition of capital transfers due to the nature of the specific expenditure on Wolwedans extension: land rehabilitation and retaining walls and on Sonskynvallei/Powertown relocation.

Changes to Notes to Annual Financial Statements:

Government grants and subsidies (Note 29)

Balance at 30 June 2016 on 2015/16 Financial Statements	139 951 218
Wolwedans extension: land rehabilitation and retaining walls shifted to operating expenditure	(1 254 324)
Sonskynvallei/Powertown relocation shifted to operating expenditure	(2 078 690)
Restated balance as at 30 June 2016	136 618 205

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.5 INVESTMENT PROPERTY (Note 18)

Recognition of Investment property identified with the reconciliation of asset register.

Changes to Notes to Annual Financial Statements:

Investment Properties (Note 18):

Balance at 30 June 2016 on 2015/16 Financial Statements

Adjustments to "Cost":

Recognition of property identified with reconciliation of asset register

Restated balance as at 30 June 2016

2016

R

604 254 910

23 021 300

627 276 210

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.6 SUNDRY CREDITORS (Note 12) & GENERAL EXPENSES OTHER (Note 40)

Rental amount for March 2016 for the lease of building not created as creditor at year end 30 June 2016.

Changes to Notes to Annual Financial Statements:

Payables from Exchange transactions - "Trade payables" (Note 12):

Balance at 30 June 2016 on 2015/16 Financial Statements

Recognition of creditor for lease charges - previous year

Restated balance as at 30 June 2016

2016

R

60 036 256

23 851

60 060 108

General expenses - "Other" (Note 40)

Balance at 30 June 2016 on 2015/16 Financial Statements

Recognition of creditor for lease charges - previous year

Restated balance as at 30 June 2016

7 607 878

23 851

7 631 729

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.7 INVESTMENTS (Note 24), CASH & CASH EQUIVALENTS (Note 25) & RECEIVABLES FROM EXCHANGE TRANSACTIONS - Other Debtors (Note 22)

Restatement of investment interest to date to Other Debtors from the Investment account for Long-term investments.

Restatement of short-term maturity deposits from Other Debtors to the Short term investment deposits account.

Changes to Notes to Annual Financial Statements:

Investments (Note 24)

Balance at 30 June 2016 on 2015/16 Financial Statements

Restatement of Long-term investment interest as Other debtor

Restated balance as at 30 June 2016

2016

12 646 586

(646 586)

12 000 000

Cash & Cash Equivalents - "Short-term Investment deposits" (Note 25)

Balance at 30 June 2016 on 2015/16 Financial Statements

Restatement of Short-term investment deposit interest as Cash & Cash equivalents

Restated balance as at 30 June 2016

330 306 013

8 699 337

339 005 350

Receivables from Exchange transactions - "Other" (Note 22)

Balance at 30 June 2016 on 2015/16 Financial Statements

Restatement of Long-term investment interest as Other debtor

Restatement of Short-term investment deposit interest as Cash & Cash equivalents

Restated balance as at 30 June 2016

R

11 763 427

646 586

(8 699 337)

3 710 676

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.8 INVENTORY - "Housing Topstructures" (Note 21)

A correction was done to the opening balance of the 2015/16 financial year as the balance did not correspond to the working papers on Housing Topstructure inventory.

Changes to Notes to Annual Financial Statements:

Inventory (Note 21):

Balance at 30 June 2016 on 2015/16 Financial Statements

Adjustment of opening balance of Housing Topstructures inventory

Restated balance as at 30 June 2016

2016

R

21 910 953

181 161

22 092 115

The Accumulated surplus and all related statements and notes were adjusted accordingly.

42.9 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various previous year adjustments were made to the Statement of Financial Position. The following is a summary of all the movements in the previous year's balances:

Changes to Net assets and Liabilities:

Balance as at 30 June 2016 (as stated in the 2015/16 Annual Financial Statements):

42.11 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various previous year adjustments were made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the previous year's balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

	2016
	R
<u>Changes to Accumulated Surplus:</u>	
Balance as at 30 June 2016 (as stated in the 2015/16 Annual Financial Statements):	2384 311 890
Finance lease liability (Refer to note 42.1)	139 797
Other Receivables from non-exchange transactions (Refer to note 42.2)	(238 393)
Property, Plant & Equipment (Refer to note 42.3)	53 384 158
Investment Property (Refer to note 42.5)	23 021 300
Payables from exchange transactions (Refer to note 42.6)	(23 851.38)
Investments (Refer to note 42.7)	(646 586)
Cash & Cash equivalents (Refer to note 42.7)	8 699 337
Receivables from exchange transactions (Refer to note 42.7)	(8 052 751)
Inventory (Refer to note 42.8)	181 161
Restated balance of Accumulated Surplus as at 30 June 2016	<u>2460 776 062</u>
<u>Changes to Capital Replacement Reserve:</u>	
Balance as at 30 June 2016 (as stated in the 2015/16 Annual Financial Statements):	126 575 281
Capital replacement reserve	-
Restated balance of Capital Replacement Reserve as at 30 June 2016	<u>126 575 281</u>
<u>Changes to Housing Development Fund:</u>	
Balance as at 30 June 2016 (as stated in the 2015/16 Annual Financial Statements):	21 560
None	-
Restated balance of Housing Development Fund as at 30 June 2016	<u>21 560</u>

43. CHANGE IN ACCOUNTING POLICY

No changes were made to previously disclosed information due to a change in accounting policy.

44. CHANGE IN ACCOUNTING ESTIMATES

44.1 Changes in Useful lives (Refer Note 15 - PPE & Note 17 - Intangible assets)

The Municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

	2017	2018	2019	2020
	R	R	R	R
<u>Movement in depreciation and amortisation:</u>				
Before change in estimate	15 656 449	13 681 337	7 911 677	7 301 697
After change in estimate	<u>10 878 634</u>	<u>8 368 618</u>	<u>5 681 987</u>	<u>4 852 584</u>
Net effect	<u>4 777 815</u>	<u>5 312 719</u>	<u>2 229 689</u>	<u>2 449 113</u>

45. RESTATEMENT OF COMPARATIVE INFORMATION

45.1 Restatement of Senior management Executive packages (Refer Note 32 - Employee related costs)

Restatement of Senior management Employee related costs previously disclosed under Executive packages. This expenditure is now disclosed as part of the following expenditure items:

	9 761 286
Employee-related costs - Salaries, Wages & Bonuses	(6 132 059)
Employee-related costs - Contributions for UIF, pensions & medical aids	(1 008 163)
Travel, motor car, accommodation, subsistence & other allowances	(573 433)
Executive packages new total for 2015/16 year	<u>47 631</u>

45.2 Restatement of Operating lease commitments (Refer Note 26.1 & 26.2 - Operating Leases)

As part of the disclosure notes to Note 26 on Operating leases the Municipality discloses all outstanding commitments under operating lease of buildings. The disclosure for 15/16 is adjusted to include all new contracts applicable to the 15/16 year for periods up to 1 year, 1 to 5 years and more than 5 years.

The Municipality as lessee:

Previously disclosed : Total Operating Lease arrangements - as lessee	9 335 921
Adjustments made to note disclosure	4 991 000
Total Operating Lease arrangements - as lessee	<u>14 326 921</u>

The Municipality as lessor:

Previously disclosed : Total Operating Lease arrangements - as lessor	2 548 837
Adjustments made to note disclosure	185 221
Total Operating Lease arrangements - as lessor	<u>2 734 058</u>

45.3 Restatement of classes op Property Rates (Refer Note 27 - Property Rates)

The classification of actual property rates as well as the valuation totals has been adjusted to be more in line with the Municipal Property Rates Act. The overall total property rates and valuations for the 2015/2016 year was however not adjusted.

46. COMPARISON WITH BUDGET

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

Net surplus/(deficit) per the statement of financial performance	2016 R 139 163 872
Net surplus/(deficit) as per approved budget	<u>74 236 945</u>
Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)	<u>64 926 927</u>

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2016 to 30 June 2017. The budget information is therefore on a comparable basis to the actual amounts.

Expenditure per VOTE: OPERATIONAL

	Budget: R	Actuals: R	Variance: R
Municipal Manager & Executive Council	47 095 203	43 698 154	3 397 049
Corporate Services	46 684 210	43 952 299	2 731 912
Financial Services	46 358 940	44 424 492	1 934 448
Technical Services	429 956 205	426 399 061	3 557 144
Community Services	180 449 603	163 387 674	17 061 929
Development and Planning	140 227 474	97 375 223	42 852 251
	<u>890 771 634</u>	<u>819 236 902</u>	<u>71 534 732</u>

Detail of Material Variances:

Municipal Manager & Executive Council: The main reason for the underspending is related to the actuarial loss which has not materialised as well as the lower contribution to the leave provision. Corporate Services: The underspending relates to depreciation charges, telephone cost and repairs and maintenance cost. Financial Services: The underspending relates to Internal and External audit cost, bank charges and insurance claim cost. Technical Services: The underspending relates to debt impairment charges. Community Services: The underspending relates to debt impairment and contracted services regarding refuse and security services. Development and Planning Services: The underspending is mainly due to housing topstructure expenditure that is derecognised due to agency function and other recognised as inventory.

Expenditure per VOTE: CAPITAL

	Budget:	Actuals:	Variance:
	R	R	R
Municipal Manager & Executive Council	624 500	564 568	59 932
Corporate Services	4 291 964	8 852 146	(4 560 182)
Financial Services	1 216 863	756 931	459 932
Technical Services	80 951 781	77 382 449	3 569 332
Community Services	16 099 379	14 559 045	1 540 334
Development and Planning	49 191 986	42 708 349	6 483 637
	<u>152 376 474</u>	<u>144 823 488</u>	<u>7 552 985</u>

Detail of Material Variances:

Corporate Services: The over expenditure was caused by donated assets of which the youth centre and the Wolwedans creche is the biggest. Technical Services: The underspending was caused by the delays in the delivery of machinery at the regional waste water treatment works and the upgrading of the Freimersheim water treatment works. Community Services: The underspending was caused by a delay in the delivery of the back hoe machine. Development and Planning Services: The expenditure on the Housing projects caused the underspending.

47. CASH GENERATED BY OPERATIONS

	2017	2016
	R	R
Surplus / (Deficit) for the year	139 163 872	84 038 998
<u>Adjustment for:</u>		
Depreciation and Amortisation	63 700 743	65 279 689
Gain and loss on derecognition of assets	1 856 237	7 681 769
Donated and Contributed PPE	(9 296 697)	(6 916 943)
Impairment on Assets	-	-
Reversal of Asset Impairment	(315 117)	(1 811 569)
Contributions to provisions	4 358 513	7 185 028
Employee Benefits	9 946 569	8 458 095
Actuarial loss / (gain)	(25 267 490)	2 889 623
Unamortised Discount	(234 444)	(143 836)
Sale of Redundant Inventory	(735 896)	(369 045)
Harvesting of Plantation	-	-
Contributions to debt impairment provision	20 051 305	22 364 134
Bad Debts written off	(2 806 201)	(34 865 434)
Investment Income - external investments	(34 816 538)	(28 874 461)
Investment Income - outstanding debtors	(1 913 275)	(646 586)
Operating Lease Income	(12 365)	-
Operating Lease Expenses	327 927	336 334
Finance costs	7 164 900	6 156 320
Operating surplus before working capital changes:	171 172 045	130 762 117
(Increase) / Decrease in inventories	(7 100 808)	8 532 030
(Increase) / Decrease in receivables from exchange transactions	(6 269 977)	29 400 152
(Increase) / Decrease in receivables from non-exchange transactions	(17 042 927)	(13 683 709)
Increase / (Decrease) in unspent / unpaid conditional grants & receipts	19 721 903	(15 517 141)
Increase / (Decrease) in VAT payable/receivable	(2 468 217)	4 454 385
Increase / (Decrease) in Payables from exchange transactions	18 592 128	(2 877 227)
Cash generated by operations	176 604 147	141 070 608

48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2017	2016
	R	R
Finance lease liability (see Note 4)	280 240	646 430
Other Long-term liabilities (see Note 5)	31 099 759	27 133 487
Used to finance PPE - at cost	-	-
Sub-total	<u>31 379 999</u>	<u>27 779 918</u>

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See Note 25).

49. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

49.1 Unauthorised expenditure

	2017 R	2016 R
Reconciliation of unauthorised expenditure		
Opening balance	41 644	21 307
Unauthorised expenditure current year	4 560 182	41 644
Approved by council or condoned	(41 644)	(21 307)
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	<u>4 560 182</u>	<u>41 644</u>

The overspending of R4 560 182 under the Corporate Services vote in the 2016/17 year is due to donated assets recognised which was not budgeted for. Assets donated includes the creche building in Wolwedans and the Youth Centre building. The overspending of R41 644 under the Corporate services vote in the 2015/16 year is due to donated assets recognised which was not budgeted for and overspending of the Municipal manager and executive council vote is due to an overspending on the budget for legal costs. The overspending was condoned by Council.

49.2 Irregular expenditure

	2017 R	2016 R
Reconciliation of irregular expenditure		
Opening balance	216 563	2 279 942
Irregular expenditure current year		216 563
Condoned or written off by Council	(216 563)	-
Recovered	-	-
To be recovered - contingent asset	-	-
Adjustment of prior year disclosure		(2 279 942)
Irregular expenditure awaiting condonement	<u>-</u>	<u>216 563</u>

2017

Incident	Disciplinary steps/criminal proceedings
None	

2016

Incident	Disciplinary steps/criminal proceedings
Tender 34-15/16 - Expenditure above the awarded tender amount in terms of the Bid Adjudication Minutes.	Disciplinary Board Committee convened and made recommendations to Council based on a report from the Municipality's Internal Audit Unit.

49.3 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

50. ADDITIONAL DISCLOSURES i.t.o THE MFMA

50.1 Contributions to SALGA

	2017 R	2016 R
Opening balance	-	-
Council subscriptions	2 346 040	2 194 327
Amount paid - current year	(2 346 040)	(2 194 327)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	<u>-</u>	<u>-</u>

50.2 Audit fees

External Audit Fees

	2017	2016
	R	R
Opening balance	-	-
Current year audit fee	3 602 078	3 172 092
Amount paid - current year	(3 602 078)	(3 172 092)
Amount paid - previous years	-	-
Balance recoverable (included in Payables from exchange transactions)	-	-

Internal Audit Fees

	2017	2016
	R	R
Opening balance	-	-
Current year audit fee	1 078 337	1 917 445
Amount paid - current year	(1 078 337)	(1 917 445)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	-	-

50.3 VAT

	2017	2016
	R	R
VAT Receivable / (Payable)	8 071 251	5 603 034

All VAT returns have been submitted by the due date throughout the year.

50.4 PAYE and UIF

	2017	2016
	R	R
Opening balance	-	-
Current year payroll deductions	28 271 925	26 983 697
Amount paid - current year	(28 271 925)	(26 983 697)
Amount paid - previous years	-	-
Balance recoverable (included in Payables from exchange transactions)	-	-

50.5 Pension, Provident and medical aid contributions, Group insurance

	2017	2016
	R	R
Opening balance	-	-
Current year payroll deductions and council contributions	66 754 145	59 947 698
Amount paid - current year	(66 754 145)	(59 947 698)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	-	-

50.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:

	<u>Total</u>	<u>Outstanding less</u>	<u>Outstanding more</u>
	<u>R</u>	<u>than 90 days</u>	<u>than 90 days</u>
	<u>R</u>	<u>R</u>	<u>R</u>
30 June 2017			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
30 June 2016			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-

During the year the following councillors had arrear accounts outstanding for more than 90 days:

	<u>Month</u>	<u>Highest Amount</u>	<u>Ageing</u>
		<u>Outstanding</u>	
		<u>R</u>	
1 July 2016 to 30 June 2017			
M E Furness	December 2016 to January 2017	65	90+ days
1 July 2015 to 30 June 2016			
None			

50.7 Non-compliance with Municipal Financial Management Act

Non-compliance with Chapter 11 of the MFMA

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

	2017 R	2016 R
<u>Types of deviations:</u>		
Sole Supplier	14 956 309	20 384 424
Emergency	2 701 876	1 309 590
Acquisition of special works of art or historical objects where specifications are difficult to compile.	-	4 560
Exceptional case and it is impractical or impossible to follow the official procurement process	10 896 022	5 536 322
Expansions and Variations	422 755	-
	<u>28 976 962</u>	<u>27 234 896</u>

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

Non-compliance with Section 75 of the MFMA

The Municipality did not place the 2017/18 budget related documents on the municipal website within 5 days after the approval of the budget. The documents was however placed on the website within the prescriptions of section 18 of the Municipal Budget and Reporting Regulations.

50.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2017 R	2016 R
Levy Department of Water Affairs and Forestry : Water	249 611	355 643
Levy Department of Water Affairs and Forestry : Water Catchment Management	849 034	624 199
Skills Development Levy	1 958 886	1 874 575
Levy Bargaining Council	87 375	75 320

50.9 MATERIAL LOSSES

	2017	2016
<u>Electricity distribution losses</u>		
- Units purchased (kWh)	303 930 017	302 105 101
- Units lost during distribution (kWh)	27 353 644	28 793 364
- Percentage lost during distribution	9.00%	9.53%

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

	2017	2016
<u>Water distribution losses</u>		
- Mega litres purified	7 956	7 533
- Mega litres lost during distribution	1 464	1 152
- Percentage lost during distribution	18.40%	15.30%

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

51. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for

Infrastructure

Community

Other

-approved, but not yet contracted

Infrastructure

Community

Other

TOTAL

This expenditure will be financed from:

-Capital replacement reserve

-Government grants

-Public contributions / donations

2017 R	2016 R
100 761 942	82 527 253
98 703 160	76 423 471
2 058 782	6 103 782
-	-
-	-
-	-
-	-
-	-
100 761 942	82 527 253
37 609 024	29 268 777
63 152 918	53 258 477
-	-
100 761 942	82 527 253

52. RELATED PARTIES

Parties are considered to be related if:

- One party has the ability to control the other party; or

- Exercise significant influence over the other party in making financial and operating decisions.

52.1 Related Party Transactions

Year ended 30 June 2017

Councillors

Municipal Manager and Section 57 Personnel

Municipal Entities

Year ended 30 June 2016

Councillors

Municipal Manager and Section 57 Personnel

Municipal Entities

Rates and service charges	Outstanding balances
R	R
307 141	-
74 986	-
-	-
262 926	-
52 049	-
-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

52.2 Joint Venture - Jointly controlled asset

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The Municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

Refer to Notes 15, 31.3 and 40 for more detail on these transactions.

52.3 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

52.4 Compensation of key management personnel

The compensation of key management personnel is set out in Note 32.

52.5 Other related party transactions

No awards were made to Councillors and Key Management Personnel.

The following are awards above R2 000 made to persons in service of the state and close family members of persons in the service of the state.

QUOTATIONS:

		TOTAL AMOUNT (R) FOR 16/17	
QUOTATION	AWARDED TO	YEAR	RELATION
AWARDS TO PERSONS IN SERVICE OF STATE			
Problem vegetation assessment	Credo Environmental Services	32 860	Some of the Directors was in service of the state within the last 12 months.
Water Meters	Elster Kent Metering (Pty) Ltd	392 690	One of the Non Excecutive Directors was in service of the state within the previous 12 months.
AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN SERVICE OF STATE			
Delivering of professional services	Aurecon South Africa (George)	2 457 319	Aurecon has numerous family members working for State Departments. but none of their Directors has any family members in service of the State.
Various	B L Construction CC	33 144	The owner of company is the brother of an employee of Mossel Bay Municipality (Pieter Myburgh)
Various	Volts and Welds	262 431	The owner is the cousin of an employee of Mossel Bay Municipality
Consultant fees	Mark Berry Environmental Consultants CC	23 150	The Spouse of owner is an State Advocate with NPA
Various	A2 Loodgieters	57 718	Spouse of the owner is working for the Department of Correctional Services
Training	Leanco Bussiness Services & Training Centre CC	32 260	Spouse of the owner is a councilor at George Municipality (C. Neethling)
Meters Pre paid	Conlog (Pty) Ltd	161 158	Conlog (Pty) Ltd has numerous family members working for State Departments. They also indicated that
Various	Electronic Services	19 524	The owner is the son in law of an employee of Mossel Bay Municipality (Elaine Stipp)
Legal services	Japie C Barnard Attorneys	5 472	Spouse of the owner is working at Department of Education
Various	Gouws NE Transport	59 540	Spouse of the owner is an employee at Mossel Bay Municipality (H Pongolo)
Professional Services	SMEC South Africa (Pty) Ltd	585 566	The daugther of an employee of Mossel Bay Municipality works for SMEC (Pieter Myburgh)

MOSSEL BAY MUNICIPALITY

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QUOTATION	AWARDED TO	TOTAL AMOUNT (R) FOR 16/17		RELATION
		YEAR		
Various	3rd Generation Trading	206 900		Spouse of the Director works at PetroSA
Various	C5 Algemene Sweiswerke	212 419		The owner of the company has a relative in Mossel Bay Municipality (Heinrich Ohlson)
Various	Jose Cuhna Construction	85 679		The owner of the company has a relative in Mossel Bay Municipality (Heinrich Ohlson)
Various	AM Cuhna t/a 4k Bouers	21 500		The owner of the company has a relative in Mossel Bay Municipality (Heinrich Ohlson)
Various	Starlight Wholesale Electrical Supplies (Pty) Ltd	81 059		Has a relative in service of the state at the Forensic Department (B Wasserfall)

TENDERS:

TENDER	AWARDED TO	AMOUNT	RELATION
Tender 99-13/14	Aurecon South Africa (George)	387 600	Aurecon has numerous family members working for State Departments, but none of their Directors has any family members in service of the State.
Tender 5-16/17	Aurecon South Africa (George)	138 835	Aurecon has numerous family members working for State Departments, but none of their Directors has any family members in service of the State.
Tender 30-16/17	A2 Loodgieters	2 278 631	Spouse of the owner is working for the Department of Correctional Services
Tender 30-15/16	A2 Loodgieters	274 547	Spouse of the owner is working for the Department of Correctional Services
Tender 15-16/17	A2 Loodgieters	2 297 659	Spouse of the owner is working for the Department of Correctional Services
Tender 46-16/17	A2 Loodgieters	840 506	Spouse of the owner is working for the Department of Correctional Services
Various	Japie C Barnard Attorneys	27 024	Spouse of the owner is working at Department of Education
Tender 99-13/14	SMEC South Africa (Pty) Ltd	294 456	The daughter of an employee of Mossel Bay Municipality works for SMEC (Pieter Myburgh)
Retention on tender 44-14/15	LNJ Konstruksie BK	52 881	The owners are the sons of the Previous Executive Mayor of Mossel Bay Municipality
Retention on tender 2-15/16	Marracon (Pty) Ltd	662 513	The owners are the sons of the Previous Executive Mayor of Mossel Bay Municipality
Retention and payments on tender 23-15/16	Marracon (Pty) Ltd	296 015	The owners are the sons of the Previous Executive Mayor of Mossel Bay Municipality

Alderlady M Ferreira (Previous Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd and or LNJ Konstruksie BK as per the above awards. Alderlady M Ferreira was the Executive Mayor up to the Municipal election that was held on 03 August 2016.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

53. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the Municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk is the risk that the Municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the Municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved Long-term financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

	2017	2016
Description of type of financial instrument	R	R
Long term receivables	1 434 770	1 647 076
Receivables from Exchange transactions	69 600 310	63 330 333
Other Receivables from Non-Exchange transactions	17 758 861	15 114 512
Cash and Cash Equivalents	417 342 456	348 009 376
Maximum credit and interest rate risk exposure	506 136 397	428 101 296

54. FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the Municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS		2017	2016
Short-term Investment Deposits:		R	R
Short-term Investment Deposits	At amortised cost	401 146 276	339 005 350
Bank Balances and Cash:			
Bank Balances	At amortised cost	16 177 119	8 985 565
Petty cash and advances	At amortised cost	19 060	18 460
Long-term Receivables:			
Study Loans	At amortised cost	140 460	133 335
Land Sales Debtors	At amortised cost	12 208	13 921
Public Assistance Loans	At amortised cost	47 070	70 333
Housing Selling Scheme Loans	At amortised cost	1 235 032	1 429 486

Receivables from Exchange transactions:

Service debtors	At amortised cost	51 557 853	50 425 236
Debtback Collections	At amortised cost	3 787	3 062
Land Sales	At amortised cost	2 161	6 173
Housing Instalments	At amortised cost	740 439	949 635
Housing rentals	At amortised cost	29 694	52 418
Sundry Debtors	At amortised cost	6 482 438	2 737 487

Other Receivables from Non-Exchange transactions:

Government subsidies	At amortised cost	128 834	128 834
Other	At amortised cost	2 803 282	3 134 582

Unpaid conditional grants and receipts:

Unpaid conditional grants and receipts	At amortised cost	0	2 515 000
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Total Financial Assets

480 525 715	409 608 879
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SUMMARY OF FINANCIAL LIABILITIES
Long term liabilities:

		2017	2016
		R	R
Local registered stock loans	At amortised cost	44 572	118 101
Long term loan		28 252 246	24 047 623

Lease liability:

Finance lease liability	At amortised cost	18 876	192 483
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Payables from exchange transactions:

Trade and Other Payables	At amortised cost	88 645 594	72 880 543
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Unspent conditional grants and receipts:

Unspent conditional grants and receipts	At amortised cost	37 963 297	20 756 394
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Cash and Cash Equivalents:

Bank Overdraft	At amortised cost	-	-
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Current portion of long term liabilities:

Local registered stock loans	At amortised cost	61 538	215 386
Long term loan		2 741 403	2 752 377

Current portion of Lease liability:

Finance lease liability	At amortised cost	261 364	453 947
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Total Financial Liabilities

157 988 891	121 416 854
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The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

<u>Increase in interest rates</u>	2017	2016
The estimated increase in basis points	1%	1%
Financial Assets	R 4 805 257	R 4 096 089
Financial Liabilities	1 579 889	1 214 169
Net effect on surplus (Financial Assets minus Financial Liabilities)	<u>3 225 368</u>	<u>2 881 920</u>

55. CONTINGENT LIABILITIES / ASSETS

55.1 Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2017 with the maximum unforeseen liability for the Municipality:

- Allandale and others v Mossel Bay Municipality: This is a claim for flood damages to the amount of R16 516 054.
- Stonetrade Trust v Mossel Bay Municipality: This is a claim with regards to Mid-income housing to the amount of R64 220 976.
- Belstow Technologies v Mossel Bay Municipality: This is a claim with regards to the cancellation of contract for Traffic cameras to the amount of R6 679 588.
- Attpower (Pty) Ltd v Mossel Bay Municipality: This is a claim based on so-called breach of contract to the amount of R83 849 227.

SALA Pension Fund v Various Municipalities: This dispute has been settled in the 2015/16 financial year.

A summons was received for a public liability claim which could not be settled with the insurance brokers. Damages due to injuries is claimed to the amount of R 1 338 745.80

55.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R24 285, and council has a right to recovery.

Note: Council has received the funds on one of the guarantees, but are awaiting confirmation of cancellation of the guarantee.

55.3 Other contingent liabilities

- There is currently four disputes under arbitration and conciliations between the municipality and employees. The outcome, timing and amounts of these cases are not available.

55.4 Contingent Assets

The Municipality is currently in a dispute with Eden District Municipality regarding ownership of Erven 264 and 271, Reebok. If Mossel Bay Municipality succeeds in the dispute it will lead to the properties being added to their asset register.

56. EVENTS AFTER THE REPORTING DATE

During the month of June 2017 various places along the coastal line was affected by storm damage. The Municipality is currently in the process of appointing consultants to investigate what the extent is of the damage.

Note 57: Implication of standards approved but not yet effective:

Std. no.		Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18		Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix B and C.</p>
GRAP 32		Service Concession Arrangements: Grantor	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.
GRAP 108		Statutory Receivables	Entire Standard	N	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.

APPENDICES

Appendix A : Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017										
External loans	Institution	Loan number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2017	Carrying value of PPE	Other costs in accordance with the MFMA
STOCK LOANS				R	R	R		R	R	R
Stock loan @ 15.00%	Hartenbos Tennisklub	1/97	2012/12/31	-				-	-	-
Stock loan @ 15.00%	KBR Tennisklub	2/97	2012/12/31	-				-	-	-
Stock loan @ 15.00%	Vista Rolbalkklub	1/99	2013/12/31	-				-	-	-
Stock loan @ 15.00%	Hartenbos Bowling club	2/99	2015/12/31	-				-	-	-
Stock loan @ 15.00%	St Blaze Mooel Vlieers	2/2000/01	2015/11/01	(0)				(0)	-	-
Stock loan @ 15.00%	Hartenbos Bowling Club	1/2000/01	2015/07/20	0				0	-	-
Stock loan @ 15.00%	Mosselbaai Tennisklub	4/2000/01	2016/03/01	-				-	-	-
Stock loan @ 15.00%	Mosselbaai Aero club	1/2001/02	2016/10/01	178 462		178 462		-	-	-
Stock loan @ 15.00%	Mosselbaai Harriers	2/2001/02	2016/10/01	36 924		36 924		-	-	-
Stock loan @ 15.00%	Mosselbaai Bowling club	1/2002/03	2018/03/07	61 539				61 539	-	-
Stock loan @ 12.00%	Boggomsbaai Golf club	2/2003/04	2018/10/31	30 714				30 714	-	-
Stock loan @ 12.00%	Hartenbos Tennisklub	1/2003/04	2018/09/18	25 848			(11 991)	13 857	-	-
Total stock loans				333 487	-	215 386	(11 991)	106 110	-	-
LONG-TERM LOANS										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	2027/06/30	22 000 000		2 000 000		20 000 000	-	-
ABSA loan R4.8m	ABSA Bank		2026/07/01	4 800 000		306 351		4 493 649		
ABSA loan R6.5m	ABSA Bank			-	6 500 000			6 500 000		
Total long-term loans				26 800 000	6 500 000	2 306 351	-	30 993 649	-	-
TOTAL EXTERNAL LOANS				27 133 487	6 500 000	2 521 737	(11 991)	31 099 759	-	-

Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

APPENDIX B

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

MUNICIPAL DEPARTMENT CLASSIFICATION

2016	2016	2016		2017	2017	2017
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
51 106 689	52 892 792	(1 786 103)	Municipal Manager & Council	81 152 733	43 777 846	37 374 887
1 078 439	24 146 551	(23 068 113)	Manager Corporate Services	1 195 407	22 050 090	(20 854 683)
7 720 142	11 487 097	(3 766 955)	Socio Economic Plan and Dev	9 464 342	14 367 142	(4 902 800)
36 514 210	75 447 373	(38 933 163)	Town planning & Building control	20 792 279	74 426 284	(53 634 006)
6 366 797	9 155 091	(2 788 293)	Libraries	10 863 832	9 142 327	1 721 505
101 165 729	44 704 994	56 460 735	Manager Financial Services	110 402 792	51 959 558	58 443 234
200 296	5 245 563	(5 045 267)	Manager Technical Services	-	11 818 651	(11 818 651)
386 468 224	287 234 822	99 233 401	Electricity	407 036 240	306 928 942	100 107 298
63 119 467	39 134 254	23 985 213	Sewerage	67 040 040	41 753 342	25 286 698
112 523 761	71 088 417	41 435 344	Water	128 606 691	65 929 299	62 677 391
(273 670)	6 076 871	(6 350 541)	Manager Community Services	(263 348)	6 176 652	(6 440 000)
2 976 722	6 662 650	(3 685 928)	Caravan Parks and Chalets	3 437 311	2 827 511	609 801
313 277	730 337	(417 060)	Cemeteries	182 521	2 105 337	(1 922 816)
49 532 263	42 315 380	7 216 883	Cleansing	54 221 171	39 774 736	14 446 435
20 875 336	22 405 638	(1 530 302)	Integrated Human Settlements	26 836 635	22 959 939	3 876 697
32 977 608	52 852 660	(19 875 052)	Public Safety and Rescue Services	33 726 414	61 407 349	(27 680 935)
2 803 243	41 459 332	(38 656 090)	Parks and Recreation	3 705 716	43 036 477	(39 330 762)
875 468 534	793 039 824	82 428 710	Sub Total	958 400 775	820 441 482	137 959 293
	1 610 288	(1 610 288)	Less inter-dep charges		1 204 580	(1 204 580)
875 468 534	791 429 536	84 038 998	Total	958 400 775	819 236 902	139 163 872

Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

GFS CLASSIFICATION

2016	2016	2016		2017	2017	2017
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
6 406 405	15 962 299	(9 555 894)	Community & Social Services	10 783 004	17 427 527	(6 644 522)
386 468 224	287 234 822	99 233 401	Electricity	407 036 240	306 928 942	100 107 298
50 648 992	46 025 661	4 623 331	Executive & Council	80 085 503	38 546 975	41 538 528
102 902 161	83 417 811	19 484 350	Finance & Admin	112 665 430	94 648 962	18 016 468
20 875 336	19 946 507	928 830	Housing	26 836 635	19 370 147	7 466 489
-	5 560	(5 560)	Other	-	-	-
16 245 543	34 726 404	(18 480 862)	Planning and Development	20 776 821	33 965 888	(13 189 066)
32 977 608	52 852 660	(19 875 052)	Public Safety	33 726 414	61 407 349	(27 680 935)
18 118 953	42 972 956	(24 854 004)	Road Transport	9 478 885	42 747 223	(33 268 339)
5 779 965	48 121 983	(42 342 018)	Sport and Recreation	7 143 027	45 860 778	(38 717 751)
49 532 263	42 315 380	7 216 883	Waste Management	54 221 171	39 774 736	14 446 435
72 989 324	48 369 364	24 619 960	Waste Water Management	67 040 955	53 833 658	13 207 297
112 523 761	71 088 417	41 435 344	Water	128 606 691	65 929 299	62 677 391
875 468 534	793 039 824	82 428 710	Sub Total	958 400 775	820 441 482	137 959 293
	1 610 288	(1 610 288)	Less inter-dep charges		1 204 580	(1 204 580)
875 468 534	791 429 536	84 038 998	Total	958 400 775	819 236 902	139 163 872

Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2017												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance (01/07/2016)	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held Jun-17	Total (30/06/2017)
			Sep-16	Dec-16	Mar-17	Jun-17	Sep-16	Dec-16	Mar-17	Jun-17		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		148 215	-	-	91 781	124 647	73 375	15 000	67 910	56 195	-	152 162
CORPORATE SERVICES		(1 478 169)	636 092	784 626	293 418	6 708 152	957 628	212 581	611 471	6 854 148	-	(1 691 709)
FINANCIAL SERVICES		0	31 005 000	23 625 000	17 939 000	180 000	29 729 465	24 029 348	18 340 068	610 349	-	39 769
TECHNICAL SERVICES		915	-	367 439	7 528 510	2 783 344	174 743	65 529	329 947	10 109 990	-	-
COMMUNITY SERVICES		1 696 171	5 307 678	3 498 599	4 684 630	115 916	2 476 975	5 000 828	3 469 992	4 344 180	-	11 020
ELECTRICITY SERVICES		0	10 000 000	-	1 857 000	-	2 647 901	2 492 434	725 479	5 991 185	-	-
DEVELOPMENT PLANNING & HOUSING		15 890 306	7 265 972	5 577 763	41 784 037	12 804 848	3 178 729	9 411 076	12 028 305	20 983 642	-	37 721 174
TOTAL PUBLIC CONTR. & DONATED PPE		16 257 437	54 214 743	33 853 428	74 178 376	22 716 906	39 238 817	41 226 795	35 573 172	48 949 690	-	36 232 416

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2017												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance (01/07/2016)	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held Jun-17	Total (30/06/2017)
			Sep-16	Dec-16	Mar-17	Jun-17	Sep-16	Dec-16	Mar-17	Jun-17		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	(0)	29 530 000	23 625 000	17 719 000	-	29 530 000	23 625 000	17 719 000	-	-	-
FINANCE MANAGEMENT GRANT	NATIONAL	0	1 475 000	-	-	-	199 465	404 348	621 068	250 119	-	-
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	(0)	-	-	-	-	-	-	-	-	-	-
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	(2 340 000)	4 084 000	6 017 000	12 903 000	-	805 255	3 049 618	4 408 009	12 401 117	-	-
INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT	NATIONAL	0	10 000 000	-	1 857 000	-	2 647 901	2 492 434	725 479	5 991 185	-	-
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT	NATIONAL	-	-	-	-	-	-	-	-	-	-	-
EXTENDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT	NATIONAL	42 477	460 000	785 523	551 000	-	590 366	143 924	624 259	480 450	-	-
MUNICIPAL DISASTER RECOVERY	NATIONAL	915	-	-	-	-	915	-	-	-	-	-
MOSSEL BAY SEDIMENT SUPPLY STUDY		-	-	-	-	-	-	-	-	-	-	-
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Human Settlements	17 629 979	3 802 650	828 804	38 165 518	12 502 962	2 606 480	6 977 716	7 870 414	18 133 627	-	37 341 676
MAINTENANCE AND CONSTRUCTION OF TRANSPORT INFRASTRUCTURE GRANT		-	-	-	59 000	-	-	59 000	-	-	-	-
COMMUNITY DEVELOPMENT WORKERS GRANT	Department of Social Services	0	56 000	-	-	-	499	17 663	13 535	24 302	-	-
THUSONG SERVICE CENTRE GRANT		0	-	211 000	-	(0)	21 615	77 708	47 414	64 263	-	-
LIBRARY SERVICES CONDITIONAL GRANT	L.S.C.G	1 694 177	4 512 000	2 312 000	2 311 000	(0)	2 236 959	3 820 035	3 112 283	1 649 903	-	9 998
FINANCE MANAGEMENT SUPPORT GRANT	PAWC	-	-	-	220 000	-	-	-	-	220 000	-	-
HOUSING EMERGENCY KITS	PAWC	720 025	-	-	-	-	1 400	174 426	130 676	34 025	-	379 498
LGWSETA SKILLS DEVELOPMENT	LGWSETA	(1 520 646)	95 092	61 703	126 418	134 333	345 148	30 160	21 538	238 764	-	(1 738 709)
GREENEST MUNICIPALITY COMPETITION	PAWC	37 544	-	-	-	-	-	-	-	37 544	-	-
EMERGENCY RELIEF GRANT	EDEN DISTRICT	18 729	-	-	-	-	-	7 766	3 839	7 124	-	-
DONATED PPE	PUBLIC CONTRIBUTION	-	-	-	-	3 339 521	-	-	-	3 339 521	-	-
FINANCIAL MANAGEMENT CAPACITY BUILDING GRANT	FMCB	-	-	-	-	120 000	-	-	-	120 000	-	-
LOCAL GOVERNMENT GRADUATE INTERNSHIP GRANT	LGGI	-	-	-	-	60 000	-	-	-	20 231	-	39 769
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES	PUBLIC CONTRIBUTION	(25 763)	200 000	12 398	266 440	6 560 091	252 814	346 996	275 657	5 937 515	-	200 184
TOTAL GRANTS		16 257 437	54 214 743	33 853 428	74 178 376	22 716 906	39 238 817	41 226 795	35 573 172	48 949 690	-	36 232 416

1. The Municipality complies with the Grant Conditions in terms of the Grant Framework in the latest division of Revenue Act.

2. CONDITIONS NOT MET

Where the conditions were not fully met, it was due to the fact that projects started late, and will be utilised in the 2016/2017 financial year.

3. PROJECTS FUNDING DELAYED

A debtor was created for the funding not yet received from LGSETA. No other funding were withheld during the year.

4. RECONCILIATION BETWEEN APPENDIX AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The receipts and expenditure totals on the appendix includes funds received from department of human settlements for projects where the municipality acts as an agent.